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CEO Interview | Joe Scarlett

Margaret Reynolds, in February 2010

Interview with Joe Scarlett, Founder of Belmont University's Scarlett Leadership Institute and retired CEO of Tractor Supply Company, a retail chain based in Nashville, TN.

- **What created your passion for leadership?**

When you work in retail and are in charge of multiple locations running 15 hour days, you have to work smart. It just made sense to find leaders who are great people and get the job done. Strong leadership was a necessity, not an option.

- **How do you define leadership?**

Leadership involves empathy, respect (which includes empowering, not micromanaging), recognizing people as individuals and team members, and celebrating performance. Those behaviors incent more great people to continue to raise the high bar, and you have a repeating cycle with increasingly higher payout. There is absolutely no room for ego in leadership. Eventually it will isolate you.

- **In what ways did you recognize people?**

For recognition to work, it must be sincere. It can be anything from a pat on the back to gigantic celebrations. We would honor as many as 30 people a year at our big annual event—with plaques, pictures, and trips. The recognition was personal, not financial. It is not about the money, but about making people feel valued.

- **You created the Scarlett Leadership Institute at Belmont University. Why?**

While at Tractor Supply, we had built Tractor Supply University, an education forum for multi levels of leadership, and it was a positive experience. I have always been inspired by Don Soderquist, Vice Chair at Wal-Mart and one of the architects of their culture and their operating leadership institute in NW Arkansas. So, when I retired from Tractor Supply, I started working with people at Belmont. The goal was to give back by contributing to my community and mentoring others.

To start, we looked at what others had done and visited a University that had a comprehensive program designed by academics without business involvement. It was not a success. Instead, we contacted 50 CEO's in middle TN and spent hours talking about leadership and what their company needs but they don't provide. We listened to the customer—which is an important lesson. Instead of doing what others were doing—we provide what our customer wants. After three years, the Leadership Institute has a waiting list.

- **You joined Tractor Supply in 1979 as VP of Personnel and Administration and were named CEO in 1993 and Chairman in 2007 until you retired. Under your leadership, Tractor Supply broke the billion dollar mark. What did you do that made the difference?**

There were two clear components that led to growth. First, the company shifted from marketing to farmers to selling to hobby farmers. This was a significant strategic shift in target customer and required a massive change of products and internal staff. It totally changed industry dynamics. Today Tractor Supply is one of only a dozen chains left out of the original 30-40.

Secondly, the culture of winning and recognizing performance attracted outgoing people who were sales focused. The company adopted a servant leadership approach where managers were teaching, coaching and developing people. Three fourths of the people we hired were our customers. When Tractor Supply University was started, store managers had to spend one week in Nashville with senior executives to learn about strategy, company culture and beliefs.

- **The book, *Work Hard, Have Fun, Make Money: The Tractor Supply Story* communicates values right in the title. Talk about these three things.**

The mission of Tractor Supply encompasses those three things. “Work hard” is like apple pie—it is basic and always important.

“Have fun” is about how to interact with the customer and reflects the fact that life is too short to be unhappy. A happy environment helps with retention as well as providing the right environment for the customer. How fun was it? For over 20 years we gave out awards at our annual meeting, and we had a lot of loud noise as each group tried to outdo the other in good hearted fun. One year a manager brought an air horn which exploded into a tradition for the company. The meetings got so loud we had to hand out earplugs.

“Make money” is not just about the company but also the individuals in it, so competitive wages were a part of the plan, as was the opportunity to earn more on incentives.

- **How would you evaluate the current effectiveness of leadership in corporate America and why?**

We work with companies which are already focused on leadership, so we are seeing high potential leaders on their way to being executive level leaders. These companies are focused on doing the right things, highly principled, and have a strong sense of ethics. We reinforce those values and teach their leaders how to speak in public, communicate effectively, how to handle difficult business conversations, improve their own performance and understand themselves—basically we teach about people and people management. We also bring in subject matter experts like Marshall Goldsmith.

Contrary to what you read, leadership in corporate America is better than you think. Unfortunately, the media often focuses on the negative (such as recent Wall Street behavior). I don't know anyone who isn't focused on doing the right thing.

- **Who are your leadership role models?**

There are so many. I already mentioned Don Soderquist of Wal-Mart. I would add Tom Hennesey, my mentor at Tractor Supply. From a historical perspective, Thomas Jefferson teaches us many lessons. I tend to gravitate to leaders who listen and focus on the long term; those that don't aren't as effective.

- **What are other obstacles to leadership success?**

A problem we sometimes see in leadership at high level is egos. If you have one, keep it in check. If you allow it to take charge, you become ineffective because you isolate yourself and people won't talk to you. Another potential obstacle is lack of being able to delegate and trust others to do the job. It is difficult to get beyond a certain level if you micromanage, as you just can't spread yourself that thin. If there is a yes person on your team, one of you is unnecessary. Finally, respect others' time, such as starting and ending meetings on time.

- **You have been featured in Southwest Airline's *Spirit Magazine* and the book *Blueprint to a Billion* by David Thomson? Why are others attracted to you and your leadership style?**

The Southwest Airline edition happened because we were talking to investors and were asked whether we had a private plane, and the answer was, "we have a whole fleet of them—all 737's that say Southwest Airlines on the side". Southwest heard about it and ran with it. I'm not sure why others seek out the story, but we have been successful, have a positive attitude, and enjoy life and try to make others feel the same. No matter how bad things were at any point in time, my job was to never let on that I was discouraged. Leadership is a badge of honor with responsibilities; I believe a leader doesn't take the credit, just the blame. We made some bad decisions, but I took it on the chin, and people stuck with us and we fixed them.

- **You are known for a unique signature. Will you share what you include along with your name on many of your written signatures?**

I often include a smiley face. It came from my wife—she used them first. I decided somewhere along the line to add it to a note I wrote, and then I got carried away and put them on everything. Now, it is my trademark. It is important for people to display their personality. I like to spread smiles. Another way to do that is to be sure the greeting on your phone presents you like you are talking to a person not a machine. The most important decisions leaders make are people decisions—if you surround yourself with stars, you can be a star. If you surround yourself with turkeys, you get sliced up for Thanksgiving. There is a tremendous advantage of being a no-secrets leader and a steep downside to keeping secrets. Make your employees and customers your partners so they can help you achieve your goals.

- **If you were asked to boil down your leadership wisdom into one piece of advice, what would it be?**

Surround yourself with great people, communicate clearly, empower and trust and get out of the way.

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Joe Scarlett, retired Chairman of Tractor Supply Company and Founder of the Scarlett Leadership Institute at Belmont University, is a seasoned and well-respected business leader with extensive operational and leadership coaching experience.

While at Tractor Supply, Joe was part of a classic leveraged buyout in 1982 and took the company public in 1994. During his ten plus years as CEO, the company's revenues quadrupled and the price of its stock increased ten-fold.

Additionally:

- Ernst & Young honored Scarlett as the Southeast's Entrepreneur of the Year in 2003
- Forbes selected Tractor Supply Company as one of the "Best Managed Companies in America" in 2004
- Scarlett served four years as Chairman of the Retail Industry Leaders Association – the nation's largest retail trade organization

Joe now focuses on building first class executive educational programs with primary focus on business leadership, ethics and an emphasis on effective communication and measurable behavioral change. The Leadership Institute program at Belmont University is developed to help turn good business leaders into great ones and based on opportunities expressed by 35 prominent CEOs. Visit www.scarlett.belmont.edu for more information. You can also contact Joe at joe@joescarlett.com.