

# Nordstrom – Great Service for Over 100 Years

## Best Company for 25 Years



**At Nordstrom one of the greatest benefits available to employees is that they are basically hired to be nice to people, and they are given the tools, resources and back-up support to do just that. Being nice in business terms means providing outstanding customer service, anticipating and meeting people's needs, and creating an extraordinary workplace where employees want to work - all hallmarks of Nordstrom since its founding in 1901.**

External recognition of Nordstrom's legendary customer service comes often, yet it is the letters from customers that really keep employees going. While some of the service stories are really quite extraordinary what is even more extraordinary is the depth of encouragement and support employees receive from their managers and leaders to provide this exemplary service. And this has been happening for over 100 years in a company that has been recognized on every 100 Best Companies to Work For list published in Fortune magazine since 1998, and in the two books of the same name published in 1993, and 1985.

### Finding Nice People

The hiring challenge at Nordstrom is very simple – they want to hire people who love to sell, have an interest in fashion, and want to provide great service to customers. And, while most everyone has their good days, the times when all is right with the world, and being nice comes naturally, Nordstrom has made finding people who can consistently be nice under a variety of circumstances into an art form.

Managers are trained in behavioral interviewing techniques to help create interview experiences through which they can gain the best insight possible into a person's ability to sell with grace and a clear focus on the needs of the customer. Since Nordstrom has a longstanding practice of promoting from within, people are hired with a focus on the long term. Basic traits and personality are important, as is a willingness to learn. Coaching, mentoring and ongoing training are all offered to help insure that new hires will transition smoothly into Nordstrom's culture and become part of the very successful sales force. Ninety-four percent of employees responding to the Trust Index© employee survey said that often or almost always Nordstrom is a friendly place to work.

Nordstrom	
Web address.....	www.nordstrom.com
Corporate Headquarters.....	Seattle, WA
Year founded.....	1901
President .....	Blake Nordstrom
Industry .....	Retail-Specialty
Total Worldwide revenues.....	\$8,828,000,000
US Employees (FT, PT, Temp) ....	50,177
Job Applications in past year ....	410,073

“ Nordstrom hires you, gives you your work expectations, and then steps back so you can do your job. You are continually coached and taught new approaches and ideas that help you grow as a contributing individual. ”

“ I have been amongst retailers for over 50 years. As a supplier and now employee there is no major retailer that has a better-developed culture in dealing with employees, suppliers, and most important - customers than Nordstrom. I am empowered to deal with any customer situation by using “good judgment” without going to management. ”

“ Everybody gets along very well no matter race, sexual orientation or age. I've never worked for a company that has almost no drama, and someone who is so willing to help you. ”

### Fair Pay

All Nordstrom salespeople are paid on a commission basis, reflecting a commitment to pay people for their performance. Policies are clearly defined and shared with people before they are hired. This is seen as a win-win situation for the customer and the employee because the salesperson must really listen and deliver the merchandise the customer wants. Salespeople also can have a significant influence over the amount of money they earn. The average

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salesperson's salary is \$38,900 per year, and the average department manager salary is \$49,500 per year, yet there are salespeople who make in excess of \$100,000 per year and department managers who also earn six figures.

While competition among salespeople might be expected, the atmosphere at Nordstrom seems to be one of people helping each other to reach higher sales targets, rather than trying to only take care of themselves. People securing higher levels of sales are recognized and rewarded, yet others are encouraged and provided with support to increase their own sales as well. No one is left behind.

One indication of the competitiveness of overall compensation at Nordstrom comes from a 2007 Department of Labor Bureau of Labor Statistics study covering nearly 4.5 million retail salespersons. In that study the BLS determined that the average wage for retail salespeople was \$11.79/hour. At Nordstrom, the average salesperson's pay in 2007 was above \$18/hour.

Nordstrom also provides a benefits package that includes a 401(k) program where employees may contribute up to 50 percent of their paycheck earnings, of which the company matches dollar for dollar up to 4 percent. An ESPP stock purchase program has been in place since 2000, which provides employees the opportunity to buy Nordstrom stock at a 10 percent discount. Since September 2000, Nordstrom stock value has increased 286 percent, allowing many employees to earn significantly on their shares.

“ Nordstrom creates a great team environment; everyone works together to get positive results, whether it's sales or bringing in a project under budget and on time. We all share in the results. ”

“ I really like the policy of promoting from within. It gives me unlimited options in my career growth. I also like being paid on commission, because this way I do not depend on low hourly rates. My income depends purely on my hard work and personal skills. ”

“ Nordstrom is a great company. It's wonderful to have the capacity to take that customer service to the next level and really make people happy and know that your management is behind it all the way! ”

And, in a year of excessive financial gain among senior executives at the expense of front-line workers, the reach of Nordstrom's pay for performance approach to the executive offices provides an affirmation of their commitment to do what is right. Blake Nordstrom, President since 2000, has about two-thirds of his targeted total compensation package “at risk” - that is, based on the performance of the company. His total compensation last year decreased by nearly 60 percent. If the company doesn't perform, he doesn't get rewarded. Regardless of Nordstrom's superior results in relation to its peers, Blake Nordstrom's targeted total compensation package ranks him below the 25th percentile of the company's national retail industry peer group. This is the kind of integrity in practice that breeds the intense loyalty that Nordstrom experiences among its employees.

### Training to be Successful

Nordstrom provides a significant amount of training for salespeople through the continuous coaching and mentoring provided to new hires, and through the ongoing support provided to staff by managers and senior sales people. Managers are taught to be servant leaders, an approach that has taken hold in many great organizations. This is best exemplified by the notion that a great leader is first a great servant to those who depend on her or him.

At Nordstrom this is best seen in the ‘each one teach one’ approach to insuring that employees are continuously supported in their professional growth and development. While there are formal, structured programs that support professional development such as Nordstrom Future Leaders and the New Manager Development Program, it all rests on the expectation that mentoring and coaching is part of everyone's job.

In the Culture Audit© response to a question about training and development, Nordstrom writes: “At Nordstrom, we are often asked what makes our company unique. Many people think we have a rigorous training process or a special secret. There is no secret. Without a doubt, it is our people. Nordstrom is a company made up of nice, competitive, hard-working people who like to have fun at work. An “each one teach one” philosophy is ingrained in the culture, and

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all the great leaders in the company are amazing teachers. We believe our employees often learn more through the examples and lessons of mentors than they do in formal training.”

“ *Nordstrom customer services are always directed toward excellence. We are the best team workers. Nordstrom is a company always worried about the professional development of its employees. It provides proper training for facing actual and future challenges.* ”

“ *Management consistently trains employees. Classes are held often - attended by not only new hires but by old employees. The company gives you a sense of family, a sense of belonging. Employees are given a chance to meet members of the Nordstrom family who visit locations from time to time and have a one-on-one communication during their visits. Best of all is the focus on customer service. Employees are trained to give the best service.* ”

### Long-term Success

By any measurement index, Nordstrom has achieved extraordinary long-term success in the retail industry, and in the business world in general. While many retail stores that were Nordstrom’s peers are now gone, Nordstrom continues to grow. This success is due to a number of factors common to many businesses – sound financial management, absolute clarity about the market being served and the unique selling proposition that brings in customers, and smooth leadership transitions. What is unique at Nordstrom are two elusive qualities that many other companies seek.

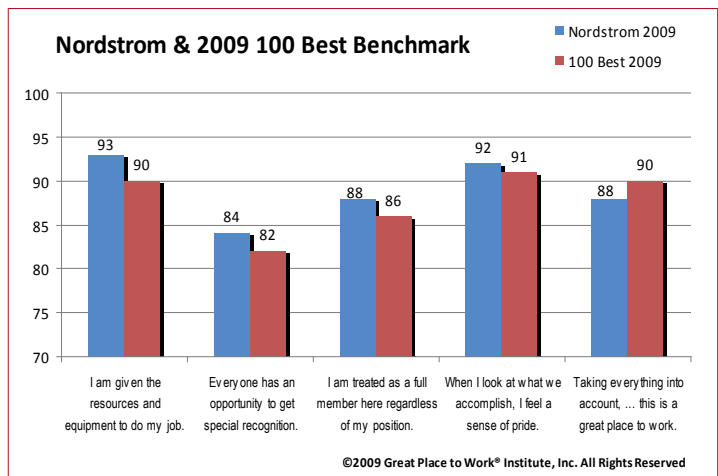
First, Nordstrom has not only held on to the original values that fueled the initial success of the business, they have embedded them in every element of their current business operations.

This strength of values provides rock solid guidance for decision-making during tumultuous times, and also keeps efforts on track when money seems to be flowing like water. When times are excessively good, the company does very well, but does not lose it’s bearings, and when times are difficult, as they are now, company leaders make decisions based on sound management principles to sustain the business through the trough.

Nordstrom senior leaders have taken particular care during the past few months to communicate frequently with employees about the state of the business. They have traveled around the country to meet with employees in town hall meetings and answer questions sent in by email. Their communications have been honest, straight-forward and upbeat, reminding people that Nordstrom’s special focus on customer service is one significant factor that will help the company weather this current crisis.

Another element of Nordstrom that is unique, insuring long-term success as well as continuous reinvention, is the way that employees are given responsibility for their own area of the business. This is dependent on the strength of the original values, for it would be difficult to let go of control of the image and practices of any area of a store if there wasn’t complete confidence in the rightness of this approach and the employees who are hired to implement it.

At Nordstrom, employees are encouraged to approach their work area with an entrepreneurial spirit, to try new ways of selling and new approaches to customer service all with the goal of doing right by the customer. The coaching and mentoring provides ideas and support, yet salespeople really are told the one and only rule that exists at Nordstrom - “Use good judgment in all situations”.



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The fact that there is one rule only, gives employees a tremendous sense that they are trusted to do right all the time. People acknowledge that mistakes may be made yet mistakes become opportunities to learn, rather than efforts to hide. As one employee wrote:

“ Nordstrom is unique in that employees are encouraged to use their best judgment when making decisions on the sales floor as to how to handle customer’s requests or situations. If we make a mistake, we are instructed in how we should have handled the situation, but we are not fired, and we are not made to feel dumb or incompetent. We are trusted more here than anywhere I’ve worked. We strive to treat each other in a “caring” way, and we strive to deliver the best customer service anywhere. Everyone tries! It is a source of pride. ”

It’s also a source of tremendous success. Nordstrom has followed its values for over 100 years, and hopefully will do the same over the next 100 years.

### Unique Practices

There are many programs offered at Nordstrom to support employees’ growth and development, and to insure that Nordstrom’s unique culture is maintained and strengthened.

Below a variety of Nordstrom’s Best People Practices are highlighted.

#### Pacesetters

Pacesetter is the title given to the top 10 percent of salespeople whose net sales meet or exceed an annual sales goal for their department. Each year the bar is raised based on the previous year’s Pacesetter performance. There were 1,700 Pacesetters in the company in 2007. These individuals were acknowledged in company recognition meetings, and they also received a cash award, Nordstrom stock, a higher merchandise discount for the year and special business cards recognizing their achievement. The program is tiered; the longer someone is a Pacesetter, the more award benefits they can earn. Pacesetter is a distinction that salespeople strive to achieve. They work to build their business and come up with innovative ways to serve customers to earn the title.

#### “Driving Your Business” awards

To motivate and encourage frontline employees to focus on increasing sales volume, there are regional and national awards recognizing top performing stores, including individual recognition for store, department, and assistant and support managers. Within each region, store managers provide recognition to top performers on an ongoing basis for their efforts to drive business in a number of areas that focus on increasing sales and building Personal Trade. At the end of the year, the top stores in each region that achieved the highest increases across the areas of focus are recognized, totaling eight regional winners. Cash awards are provided to department, assistant and support managers for the top store in each region. The top store for the company is announced as the national champion, winning the Driving Your Business (DYB) trophy and cash awards for the department, assistant and support managers.

#### All-Star Award

One sales All-Star is recognized each month and one support Customer Service All-Star is recognized each quarter in every store at the recognition

### Great Place to Work® Model©

Dimension	How it plays out in the workplace	
	<b>Credibility</b> <ul style="list-style-type: none"> <li>• Communications are open and accessible</li> <li>• Competence in coordinating human and material resources</li> <li>• Integrity in carrying out vision with consistency</li> </ul>	T
	<b>Respect</b> <ul style="list-style-type: none"> <li>• Supporting professional development and showing appreciation</li> <li>• Collaboration with employees on relevant decisions</li> <li>• Caring for employees as individuals with personal lives</li> </ul>	R
	<b>Fairness</b> <ul style="list-style-type: none"> <li>• Equity–balanced treatment for all in terms of rewards</li> <li>• Impartiality–absence of favoritism in hiring and promotions</li> <li>• Justice–lack of discrimination and process for appeals</li> </ul>	U
	<b>Pride</b> <ul style="list-style-type: none"> <li>• In personal job, individual contributions</li> <li>• In work produced by one’s team or work group</li> <li>• In the organization’s products and standing in the community</li> </ul>	S
	<b>Camaraderie</b> <ul style="list-style-type: none"> <li>• Ability to be oneself</li> <li>• Socially friendly and welcoming atmosphere</li> <li>• Sense of “family” or “team”</li> </ul>	T

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meeting. All-Stars are non-managers who are recognized for giving superior customer service. Because the All-Star Award is a surprise, the respective department manager must think of a creative reason to get the winner to attend the meeting. Families are contacted ahead of time and invited to attend and celebrate this special award. Winners receive a higher merchandise discount of 33 percent (up from 20 percent) for a year, a cash award of \$100, special business cards recognizing their achievement and peer recognition. After the awards are given, photos of each All-Star are displayed in the Customer Service department of their store for the next 12 months.

### **John W. Nordstrom Award**

Each year one individual is honored with the very top recognition: The John W. Nordstrom Award (JWN). This honor goes to one manager who most exemplifies the characteristics of founder John W. Nordstrom, including hard work, persistence, servant leadership, loyalty, honesty, ethics, competitive spirit, and perhaps most importantly, an unwavering commitment to putting the customer first. This award recipient goes through the inevitable ups and downs of business while consistently delivering great results over time. The Nordstrom family first gave out this award in 1961, and it is awarded to one manager each year who is not an officer. With the company having grown to more than 50,000 employees, this is quite a special award. The winner of the award is highlighted in the internal newsletter, Loop, as well as on Nordnet, the company's intranet site.

### **New Manager Development (NMD)**

The New Manager Development Program (NMD) is designed to help new department manager's transition from an individual contributor role to a new team leader role. NMD is a year-long program that focuses on people development and achieving department sales goals. It consists of "on your own" learning experiences, shoulder-to-shoulder guidance with Learning Partners throughout the store, and selective classroom training. NMD ensures success for managers in their new role and prepares them for future leadership positions.

### **Sabbatical Program**

Employees with 10 or more continuous years of service are able to take an unpaid Sabbatical for up to six continuous weeks without disruption to benefits eligibility. This time off allows employees to rest and recharge. Many employees have been with the company for years, and this new benefit allows leaders to recognize and thank them for their loyalty and continued contribution to the success of the company. Once an employee takes the Sabbatical Leave, a new 10-year clock begins toward their next sabbatical.

The Sabbatical is unpaid, but employees may use PTO to make part or all of their Sabbatical Leave paid. Beginning October 2008, eligible employees became able to elect to defer accrued PTO hours that might otherwise be carried over or cashed out, to a "Sabbatical Bank" where they will be saved to use during the Sabbatical Leave.

### **Health and Wellness**

Nordstrom is in its third year of the "Simple Steps to A Healthier Life" program, which encourages participation in an online health assessment that is free to all employees and dependents age 18 or over. Nordstrom continues to offer the incentive of saving money on the following year's health premium to employees who take and update the Health Risk Assessment.

Last year, Nordstrom expanded its Wellness Program by covering preventive care for low or no cost to all employees enrolled in its medical plans. For members enrolled in the self-insured medical plan, all preventive care is free. In addition, discounted memberships to 24-Hour Fitness, Bally's Total Fitness, All-star Fitness, Jenny Craig and Weight Watchers, are provided through their discount service provider, Workstream XYLO. Flu shots are made available to employees and their adult dependents enrolled in a Nordstrom medical plan.

# Any Company Can Create a Great Workplace

## Our Mission is to Help Them Do It



**Great Place to Work® Institute, Inc.** has conducted pioneering research on the characteristics of great workplaces for over 25 years. We believe all companies can become great places to work, and our mission is to help them succeed. Our Great Place to Work® Model® is recognized as the standard for assessing great workplaces. In 40 countries around the world, we are proud to:

- **Recognize the Best Companies** for their achievements through our international Best Companies lists. In the U.S., these lists include Fortune's 100 Best Companies to Work For®, as well as the "Best Small & Medium Companies to Work for in America" published in collaboration with SHRM.
- **Help companies create and sustain great workplace cultures** through our consulting services. Our data collection tools (employee survey, focus groups, 360° professional development tool) educational workshops and training programs, action planning system, and strategic advising services all support the transformation process within any organization. The Institute's unique access to Best Companies' data allows us to offer unparalleled benchmarking opportunities, best practice information, and transformation insight to our consulting clients.
- **Share resources, best practices, and Institute research** through our education services. These include peer networking groups, workshops, conferences, and publications which enable organization leaders to learn directly from each other, as well as benefit from our wealth of knowledge and lessons learned from the Best Companies and our clients.

### For more information, please contact us:

#### Global Headquarters

Great Place to Work® Institute, Inc.  
169 11th Street  
San Francisco, CA 94103  
Phone: 415.503.1234  
Fax: 415.503.0014

[info@greatplacetowork.com](mailto:info@greatplacetowork.com)  
[www.greatplacetowork.com](http://www.greatplacetowork.com)

#### Additional Resources

- Join us for the 2009 Great Place to Work® Conference, May 6-9 in Miami Florida, to learn more about how to create great workplaces directly from Best Companies leaders. For more information, visit [www.greatplacetowork-conference.com](http://www.greatplacetowork-conference.com)
- Nominate your company to be on Best Companies lists in North America, Europe, Latin America and Asia by visiting [www.greatplacetowork.com/best/index.php](http://www.greatplacetowork.com/best/index.php)
- Consulting Services: We believe passionately that any organization of any size or industry can become a great workplace. Great Place to Work® Institute, Inc. consulting services are based on 25 years of researching Best Companies, and our in-depth knowledge of how companies transform can help you achieve higher levels of productivity and profit. Through our assessment, action planning, and advisory services, we can help you to measure, benchmark, and positively impact employees' experiences of your organization.