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LEADERSHIP

Why Aldi Is Giving Walmart A Run For Its Money

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As the last month of summer winds down, and with recent university graduates full steam ahead on their job hunt, discount retailer ALDI is making an offer that will likely grab some attention — a starting pay of \$75,000 along with some perks, including a corporate credit card, Toyota Camry and paid gas for both professional and personal use.

Why is ALDI's U.S. operation paying so much? This starting pay comes with a job description similar to a small business owner — and similar hours too. The new graduates, who are hired directly into District Manager positions, are expected to manage a staff of thirty to fifty people, while mastering operational details (such as how many avocados to order) in order to continue making the company's low-price, high-efficiency business model hum.

Ultimately, the chance for real leadership development may be the more important offer from ALDI. For any new graduate, the choice of which job to take out of college is usually about more than money. At a time when nearly half of college graduates are working jobs that don't require a degree, their first professional job is an opportunity to develop leadership skills and accumulate experiences that will inform their judgment for the rest of their careers.

Although ALDI's parent company in Germany is notoriously secretive, the U.S. division has been very transparent about

what it expects of its well-paid talent. One District Manager we spoke with, let's call him "Robert," was only a few years out of a regional college, but had developed a clear point of view on leadership we might expect from a seasoned manager twice his age.

A key to ALDI's ability to develop talent is the broad array of responsibilities and the confidence in its young people to deliver. An abbreviated list includes hiring, training staff, inspecting product displays, reviewing inventory and coaching multigenerational store managers — some of whom might be a few years younger or up to two decades older than the District Manager.

As with most retailers, there's no such thing as a "typical day," but a District Manager's morning might start like an NFL coach's prep for game day. They're expected to do their legwork by poring over statistics on operational details, such as produce lost to spoilage or how many items cashiers are ringing up per minute, as well as the overall financial performance of the stores.

Such routines are just part of the preparation that District Managers conduct before spending time in the five or six stores that report to each of them. This disciplined approach comes straight out of the ALDI Management System guidebook, which one company leader referred to as the company's "Leadership Bible."

But ALDI also teaches that numbers are only part of the equation. As Dieter Brandes, a former senior executive in

Germany told us, the company was built on efficiency and simplicity, but thrives on a corporate culture that relies on the entrepreneurial spirit of its people. The frontline interactions store staff members have with customers can determine whether they ever come back. While preserving its core strengths, the company is also reinforcing service and reminding store personnel that their job is to build a relationship with consumers that could easily lead to twenty or thirty years of continued business.

Training Its Next Crop of Leaders

District Managers are expected to be the translators and implementers of the broader strategic shift the company is making. ALDI has steadily grown since entering the U.S. in 1976 to over 1,200 stores in 32 states by offering a no-frills, low price approach to selling a basic assortment of 1,400 everyday items. This has enabled the company to recently add, on average 80 new stores each year at a time when UK-based Tesco folded its U.S. operations, while taking a share of Walmart's customers.

To continue growing, particularly as the U.S. consumer emerges from recession-imposed frugality, ALDI wants District Managers to focus on helping to train and develop its people at the customer contact point. That entails finding friendly workers for the demanding cashier positions, which consistently pay well above market, but one person likened it to working the "dinner rush" in a busy restaurant.


So how does ALDI prepare the average twenty-something college grad for the rigors of leadership judgment and detailed operational responsibility? District Managers at ALDI are the product of a full year of training. After two weeks of shadowing a manager in the district leadership position, they're thrown into the stores and required to learn every store position. After ten weeks as cashiers and shift supervisors, they're given responsibility as an acting store manager. They're given the same financial and operating expectations of an experienced manager who precedes them. The company effectively "stress tests" the newbies, while recognizing they're likely to hit some speed bumps along the way. It's clearly a humbling experience designed to teach new managers how hard it is to run a store before throwing them into a leadership position.

Throughout the training phase, District Manager candidates may attend up to a dozen workshops that cover everything from planning skills to operational supervision to conducting their monthly store manager meetings. Some recruits enter with a head start, after having gone through the company's internship program following their third year of college, spending an additional ten weeks working in the field (which also pays handsomely at \$900 per week for the internship).

What's most impressive is how effective ALDI's system seems to be at developing its new talent, often fresh out of college. While ALDI screens new hires for college leadership roles, only life experience can prepare them for dealing with grown men and women who sometimes are twice their age. The smart

ones, from what we gather, go into these leadership positions acknowledging that they don't know it all and with a willingness to learn from the people they are managing.

As one young manager openly acknowledged, "In the last four years, I know I've made a ton of mistakes. But, I've learned so much that will help me with ALDI down the road or anywhere else."

That's the real value ALDI is offering: the opportunity to gain real world experience at an accelerated pace that will pay off throughout your career. Of course, the money doesn't hurt either. After four years, District Managers earn a salary of \$100,000. With a leadership talent and development engine that works, we can only expect to hear (and see) more from ALDI. 

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