



# LEADING FROM THE MIDDLE

Middle Market CEO Growth Champions' Perspectives



Greg Tunney

**RGBARRY**



## INTRODUCTION

In October 2011, The Ohio State University Fisher College of Business and GE Capital hosted the **2011 National Middle Market Summit: Leading from the Middle**, at which findings were released from a collaborative research study of 1,447 Middle Market companies.

The study, the largest to date on this resilient and often-overlooked segment of the U.S. economy, identified a select group of exceptional performers (“Growth Champions”) that not only survived the recent recessionary period, but demonstrated exceptional growth. These Middle Market “Growth Champions,” in fact, sustained a revenue growth two to three times the rate of GDP growth in 2011—and projected a similar rate of growth in 2012.

The National Center for the Middle Market, the first of its kind in the nation and continuing the long-term partnership between Fisher and GE Capital, is building on this foundational research by delving more deeply into how these “Growth Champions” achieve superior results. Through a series of executive interviews, the center housed at Fisher will provide further insights into what differentiates these companies from their peers.



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Visit [www.nationalmiddlemarketsummit.com](http://www.nationalmiddlemarketsummit.com) to see highlights of the Middle Market Summit.

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# RGBARRY

2011 Net Sales: \$129.6 million

Employees: 150

NASDAQ symbol DFZ

[www.rgbarry.com](http://www.rgbarry.com)

## Greg Tunney

President and CEO

RG Barry Corporation

dearfoams

baggallini

foot\*petals

This paper highlights the perspectives of Greg Tunney, president and CEO of RG Barry Corporation, a developer and marketer of footwear and fashion accessories with net earnings of \$7.5 million in 2011. The company is based in Ohio and has sales and administrative offices in five U.S. states as well as China. Recently, RG Barry reported that, based on consolidated net earnings, the five years ending with fiscal year 2011 were the most profitable five-year period in the company's 64-year history—with revenues rising by more than 23%.

Tunney, who has served as CEO for five years, provided his perspectives on two areas identified through Fisher and GE Capital's quantitative research study that distinguish "Growth Champions" from other Middle Market companies: **Strong Management Culture** and **Exceptional Talent Management**.

STRONG MANAGEMENT CULTURE

EXCEPTIONAL TALENT MANAGEMENT

# middle market growth champion profile

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## STRONG MANAGEMENT CULTURE

55% of Middle Market “Growth Champions” say they are able to effectively manage external change—compared to 32% of non-growing Middle Market firms<sup>1</sup>

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## GREG TUNNEY—CEO INTERVIEW HIGHLIGHTS

Building a strong company culture is a passion for Tunney—one developed over a two-decade career that includes positions at May Department Store Co., Brown Shoe Co., and Phoenix Footwear. While at Brown Shoe Co. in the 1990s, he was named the youngest vice president and national sales manager in the company’s more than 100-year history.

“A week after I got there, they announced that they were going to shut down 32 factories and eliminate 35,000 jobs,” he recalled. “So, as you can imagine, that was a very difficult time.”

The experience—in which Tunney helped oversee Brown’s transition from manufacturing to branding and sourcing—had a lasting effect on the young executive.

“What I saw from a very young age was the ability for people to change and the ability for people to understand that there was going to be a different culture,” he said. “Actually doing the work was the easy part. It was the human aspect of how do you get people to actually realize that change is going to be good, that we’re going to make the company better and that the jobs that are going to stay are going to be better jobs... That, to me, was probably a better learning experience than all of the industry-specific knowledge that went along with it.”

Tunney’s focus on the “human aspect” hasn’t changed. Upon becoming CEO of RG Barry in 2006, he instituted a program of cultural development and enrichment closely tied to RG Barry’s plans for sustainable growth. In fact, Tunney is currently overseeing another change in culture as RG Barry in 2011 acquired handbag and accessory maker Baggallini of Oregon as well as shoe-insoles producer Foot Petals of California, transforming from a self-described “one-dimensional slipper company” to a multidimensional provider of fashion accessories.

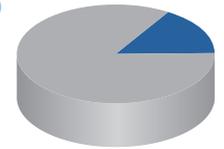
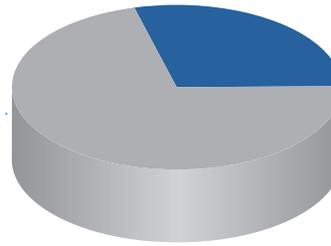
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## EXCEPTIONAL TALENT MANAGEMENT

“Growth Champions” are more likely to invest in employee skill development than other Middle Market companies—29% vs. 17%<sup>2</sup>

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29% vs. 17%



EMPLOYEE DEVELOPMENT

**You joined RG Barry in 2006 and, not long after, the recession hit. To what do you attribute your company’s success in continuing to grow within the Middle Market?**

One key thing that I think helped and continues to help accelerate our business is, when I arrived at the company, we invested heavily in our human resource development.

I went to the board and told them the things we wanted to do long term that were going to cost us. So when the recession hit as hard as it hit during that period, you had a lot of companies that were really struggling with how to respond to it—teams really going through crisis mode. We had spent a tremendous amount of time building that team.

We had reached out to several different experts, whether it was the Covey Group that we worked with on “The 7 Habits of Highly Effective People,” as well as some other areas. But we really invested in developing a team. It’s easy for your team to work when everything is going well, but how does the team work when you really hit a crisis? So I think we really benefited from that because we made the investments long before the problem ever happened.



“...when I arrived at the company, we invested heavily in our human resource development.”

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## STRONG MANAGEMENT CULTURE

77% of “Growth Champions” said having a high-performing management team is absolutely essential to meeting growth targets, compared to 61% of non-growing companies<sup>3</sup>

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### **What form does that investment in training and development take at your company?**

We started really working on personal development: how to work with people, how to have transparency, how to give not only good news, but bad news, and how to react to that as a team. We went through some very professional training. We were spending up to \$400,000 and \$500,000 a year. For a company of our size, that's quite an investment in human resource management, but we got it back in spades...We continue to do it today.

### **How is this emphasis on people tied to your growth plan as a Middle Market company?**

I will tell you that in business, you'll see a lot of people who will focus on the balance sheet, they'll focus on the results, they'll focus on the profits, etc., etc. ...But more important than all of that—because at the end of the day you can figure out models, you can figure out how to cut expense, you can figure out how to drive sales—is how do you make it sustainable?

What I've found is that the thing that makes it sustainable is the people.

We're going to come up with new products, sometimes they're going to be good, sometimes not...but the consistency that you have in an engaged team that is resolving problems quickly, reacting quickly, to me that is a sustainable advantage that I've seen time and time again.

### **Is the company's culture different overseas than it is domestically?**

No, it's the same culture. We have a team over in Guangdong, China right now—a team of 23—and I can tell you that all of them have gone through the training of “7 Habits,” the “Speed of Trust,” all of our training programs. And, believe it or not, those types of values and beliefs and cultural development programs that we have, it doesn't matter where you're at in the world.

And so we do find it to be universal. And it does make sense for us. As our type of business gets more and more global, we think it's going to be imperative for a sustainable advantage.



“It's interesting the reverse cultural learning that we're trying to take our team through.”

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## EXCEPTIONAL TALENT MANAGEMENT

“Growth Champions” are much more successful at recruiting and attracting the skill levels they require—53% compared to only 28% of non-growing Middle Market companies<sup>4</sup>

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### **RG Barry recently made two acquisitions. Were the challenges operational? Cultural? Both?**

I will tell you that from an operational standpoint, it has been seamless. That's easy. It's easy to set up systems, processes...On the cultural side, that's been a challenge. You're dealing with companies that were first-generation entrepreneurs. Even though we don't think of ourselves as being corporate or anything like that, they look at it and say, “These guys are a bureaucracy.”

Quite frankly, I will tell you, in that process some will decide to accept the culture and some will decide it's not for them and probably move on. The more interesting part is watching the antibodies of RG Barry trying to kill the amoebas coming in. It's like, “Wait a minute, they don't do it exactly like us.” What we're trying to help them say is, “Hey, wait a minute, we brought them in because they do some things really well that we can learn from.”

It's interesting the reverse cultural learning that we're trying to take our team through.

### **One of the challenges identified by many Middle Market firms is access to talent. As a midsize firm, have you found recruiting and retaining talent to be a challenge?**

I haven't and I'll tell you why I think that is...(At) the big companies, you're churning out a lot. I talk about having that relationship with the employees and the team. They're not having that at those big companies. So we think that we actually give them a different lifestyle. We think that we give them a little richer experience at work. And I know a lot of people say, “Aw, that's all mumbo jumbo.” It's a big deal—especially when you start to get people who are 35 to 40 years of age and they're starting to look at their career and their family and they're starting to say, “I need some balance in life”...So I think that's how we compete. We tell them what we're about. We're about results, but at the same time, you've got to have balance. You've got to have a life.

“We think that we actually give them a different lifestyle. We think that we give them a little richer experience at work.”

Some people would say, you're crazy, just keep working them; but, you know, people get stale. You've got to sharpen the saw. You've got to do the right things for the long haul.

### **Are you surprised by businesses that don't place such an importance on what you said might be called “mumbo jumbo”—this focus on people and cultivating a culture?**

I think everybody talks about it. I think one thing that we did that made a difference, especially with our management team, was the restricted stock awards that they get each year...they have been 100% awarded on their leadership quality. Name me a company that gives 100% restricted stock unit payouts based on leadership quality, not performance only. We do performance based on a bonus plan and everything else, but with their restricted stock awards, we said, “You know what? We want to know what kind of leader you are, what kind of quality leader you are. Do you exhibit the values and behaviors and beliefs that we want as a company?”

So it doesn't matter what their results were, how did they do it? How did they get there? How did they treat their people?...It's 100% subjective, but it works. So I think that is a difference. Everybody talks about it. Every company will tell you how great their HR side and culture is, but I think we put our money where our mouth is on those things.

<sup>3,4</sup> 2011 OSU-RTI Middle Market Survey



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