

EFFECTIVE LEADERSHIP:

A CASE STUDY OF

LES SCHWAB

by

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As a potential future leader, I have become very interested in what characteristics constitute outstanding leadership. By researching contemporary leadership scholars and theories, I developed a list of characteristics often found in effective leaders. Mr. Les Schwab, founder of Les Schwab Tire Centers, has been leading employees for the past forty-six years. My goal for this project was to answer the question: how do the leadership ideas and practices of Mr. Les Schwab compare to contemporary theories of leadership? I researched magazine and newspaper articles written about the company, as well as Mr. Schwab's book Pride In Performance – Keep It Going! In addition, I developed a manager survey, to learn how Mr. Schwab's store managers perceive him as a leader. I was also fortunate to have an interview with Mr. Schwab.

Through my research, I determined Mr. Schwab to be a truly effective leader, who has built an extraordinary organization.

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CHAPTER I

INTRODUCTION

Leaders are found in every facet of life. They exist in our government, schools, businesses, and military, to name only a few. Without leadership, it is unlikely that these organizations would continue to survive. Warren Bennis, well known throughout the business world for his views on leadership, believes that leaders are important for three fundamental reasons.¹ First, they determine an organization's effectiveness. When a corporation declines, the finger of blame is generally pointed at the Chief Executive Officer, who is responsible for deciding the company's direction and making the major decisions. Second, leaders give us a "guiding purpose" in our lives, a vision or dream to achieve. Third, many of our nation's institutions have recently lost their integrity. Great leaders can change this by proving success can be found through legal means.

As a Business Administration major with a Management concentration, I have learned the importance that leaders have in our society. As a result, I have become very interested in what characteristics constitute an outstanding leader. In what way must this person interact with his/her employees so that the results are high employee morale, as

¹ Warren Bennis, On Becoming a Leader (Reading, MA: Addison-Wesley Publishing Company, 1989) 15.

well as increasing company profitability? I hope to one day become such a leader, and the knowledge gained during my thesis research will assist me in achieving my goal.

For my thesis, I have chosen to do a case study of the company Les Schwab Tire Center, and more specifically of Les Schwab himself, the 80 year-old founder. A case study is “a qualitative research method in which a particular organization is studied in detail, usually in the hopes of being able to learn about organizational functioning in general.”²

I was first introduced to the company during an introductory level management course. Les Schwab Tires is well known throughout the Pacific Northwest, as well as the tire industry, for its emphasis on high customer satisfaction. The founder, Les Schwab, is known for his distinctive ideas on profit sharing. I found the prospect of studying such a unique leader exciting.

My goal for this project was to answer the question: how do the leadership ideas and practices of Mr. Les Schwab compare to contemporary theories of leadership? It would be impossible to study every piece of writing about leadership, so I chose to focus on The Leadership Challenge, by James M. Kouzes and Barry Z. Posner; On Becoming a Leader, by Warren Bennis; and an article entitled “Charisma in Action,” by Manfred F.R. Kets de Vries. By studying these contemporary theories of leadership, I have learned what “characteristics” are associated with effective leadership. My use of the word characteristic is loosely defined to include some personality traits as well as some behavioral techniques.

² Robert A. Baron and Jerald Greenburg, Behavior in Organizations: Understanding and Managing the Human Side of Work (Upper Saddle River, NJ: Prentice Hall, 1995) 28.

I combined the leadership attributes discussed by different scholars to create my own list of leadership characteristics, and compared Les Schwab against this list. Through my case study of Les Schwab, I have learned what the potential outcomes are for a company with a leader who embodies such characteristics.

Background on Mr. Les Schwab

In order to understand Les Schwab's leadership characteristics, it is important to first know a little about his background. Born October 3, 1917 in Bend, Oregon, Mr. Schwab spent his childhood growing up in a log camp. He attended school in a railroad boxcar and had his first job delivering papers at the age of twelve.³ He even convinced his principal to excuse him early from school every day in order to make his deliveries. By the time he was sixteen he was made Circulation Director for one of the three newspapers he was delivering (he was also making more money than his principal).⁴ Even then, Mr. Schwab had the ambition to succeed.

When he was 33 years old, Mr. Schwab's entrepreneurial aspirations took hold and he sold his home, borrowed on his life insurance, and borrowed \$11,000 from his brother-in-law to buy an O.K. Rubber Welders tire shop in Prineville, Oregon. Mr. Schwab made a profit off of his small business and was able to buy another store, located in Redmond, Oregon. However, Mr. Schwab was aggravated by franchise restrictions. He wanted to be independent, making his own decisions concerning the stores'

³ Les Schwab, Pride In Performance-Keep It Going!, (1986; Bend, OR: Maverick Publications, 1996) 6.

⁴ Lloyd Stoyer, "King of the Northwest," Modern Tire Dealer Mar. 1997: 23.

operations and plans for expansion. He eventually got out of his lease and on January 1, 1952 Les Schwab Tire Center was born.⁵

⁵ Stoyer 24.

CHAPTER II

REVIEW OF LITERATURE

Leadership vs. Management

People often misinterpret the word “leader” to mean the same as “manager,” because both are positions of authority. However, it is often difficult to find people who can simultaneously play the roles of both a manager and a leader. Leaders have been said to “do the right things,” while managers “do things right.”⁶

Managers typically work under steady conditions. Job responsibilities usually include observing, controlling, overseeing, and improving performance. Leaders, however, tend to work with changing conditions. Customarily, leaders create visions and take the organization into a new direction. Leaders also tend to be innovative, with tremendous amounts of energy and charisma.⁷

Patrick Wright and Raymond Noe define leadership as “the process of inspiring and empowering others to voluntarily commit themselves to achieving the leader’s

⁶ David A. Whetten and Kim S. Cameron, Developing Management Skills, 3rd ed. (New York: Harper Collins College Publishers, 1995) 16.

⁷ Whetten and Cameron 16.

vision.”⁸ Leaders will be effective and powerful if their vision agrees with the organization’s mission. These leaders will then have the ability to achieve dedication, change, and motivation among subordinates.⁹

The following will help to illustrate the difference between leaders and managers:

A boss drives
A leader leads

A boss relies on authority
A leader relies on cooperation

A boss says “I”
A leader says “We”

A boss creates fear
A leader creates confidence

A boss creates resentment
A leader breeds enthusiasm

A boss fixes blame
A leader fixes mistakes

A boss makes work drudgery
A leader makes work fun¹⁰

As the poem indicates, leadership is about teamwork and empowerment. Leaders get employees excited about their jobs and the direction of the organization. Managers tend to be less inspiring.

⁸ Patrick M. Wright and Raymond A. Noe, Management of Organizations (Chicago: Richard D. Irwin Publishing, 1996) 390.

⁹ Wright and Noe 390.

¹⁰ Anonymous

Leadership Approaches

There are numerous effective leaders throughout the world, but no two act exactly the same. However, it is possible to group these leaders based on the leadership characteristics they manifest. Four major approaches to studying leadership include the trait approach, the behavioral approach, the contingency approach, and the transformational approach. Through my research, I have determined the transformational approach to be the most pertinent to my thesis, and will therefore place more emphasis on that approach.

The trait approach assumes that the world's best leaders possess similar traits. Therefore, those who possess these traits would have the potential to become great leaders.¹¹

The behavioral approach assumes that traits alone cannot fully determine a person's leadership potential. Therefore, it is also important to study how leaders behave, and what results from their behavior.¹²

The contingency approach implies that traits or behaviors are effective only under certain conditions.¹³ The success of a leader may also depend on his or her environment, including who the followers might be.¹⁴

¹¹ J.R. Schamerhorn, Management and Organizational Behavior (New York: Wiley & Sons, 1996) 101; and Patrick M. Wright and Raymond A. Noe, Management of Organizations (Chicago: Richard D. Irwin Publishing, 1996) 394.

¹² Schamerhorn 102; Wright and Noe 396.

¹³ J.R. Schamerhorn, Management and Organizational Behavior (New York: Wiley & Sons, 1996) 104.

¹⁴ Patrick M. Wright and Raymond A. Noe, Management of Organizations (Chicago: Richard D. Irwin Publishing, 1996) 390.

Finally, the transformational approach is the “new-wave” leadership approach, used by contemporary leadership scholars. J.R. Schamerhorn, author of Management and Organizational Behavior, defines a transformational leader as:

...someone who uses charisma and related personal qualities to raise aspirations and shift people and systems to new and higher-level performance patterns. Transformational leadership is inspirational leadership that influences followers to achieve extraordinary performance, often in the context of large-scale organizational change. Transformational leaders get followers to do things different from and far beyond what they originally anticipated being willing or able to do.

(Schamerhorn, p. 109)

Transformational leaders typically have the following qualities: 1) *Vision*: having ideas about the future and the direction of the organization, being able to communicate those ideas to others, and creating excitement about the future; 2) *Charisma*: using charm to develop enthusiasm and pride for the organization within subordinates, and encouraging them to follow; 3) *Empowerment*: allowing subordinates to make decisions and contributions; 4) *Intellectual Stimulation*: encouraging followers to be involved and think through problems; and 5) *Integrity*: being truthful and honest, and following through on commitments.¹⁵

Transformational leadership is fairly new to the business world. The theory is based on the premise that possessing leadership traits, knowing different leadership behaviors, and comprehending different leadership contingencies is not enough to be an effective leader. The leader must also strive to be inspirational, so that subordinates will

¹⁵ J.R. Schamerhorn, Management and Organizational Behavior (New York: Wiley & Sons, 1996) 109-110.

want to follow and achieve a vision. Transformational leaders succeed in having followers possess strong dedication and satisfaction for the organization.¹⁶

Contemporary Views of Leadership

Manfred F.R. Kets de Vries

In his article “Charisma in Action,” Manfred F.R. Kets de Vries states that transformational leaders are becoming more and more necessary with the increasing demand for change in organizations. In order to accomplish successful changes, a leader must be able to combine the characteristics of a charismatic person with an architectural role, resulting in someone with visions for the future. The leader must also be able to use those visions to move ahead.

Charismatic leaders embrace change. They have hopes to be the first to do something different. Says Kets de Vries,

They display dissatisfaction with the status quo; they are restless and energetic; they are action oriented; their discontent pushes them into searching for new opportunities; they are entrepreneurial, impatient, and gifted at articulating a strategic vision, making the big picture seem within reach of their followers. They are also very gifted at building alliances and making people feel special.
(Kets de Vries, p. 8)

In summary, the transformational approach combines the trait and behavioral approaches. Transformational leaders have innate traits that then influence their behavior.

¹⁶ Schamerhorn 110.

James Kouzes and Barry Posner

James Kouzes and Barry Posner are well known and well published in the leadership field. In their book The Leadership Challenge, Kouzes and Posner submit five fundamental practices of leadership worthy of consideration: challenging the process, inspiring a shared vision, enabling others to act, modeling the way, and encouraging the heart.

The first practice is to *challenge the process*. A leader does not wait for good things to happen, but rather goes looking for things that are unfamiliar. “Leaders are pioneers – people who are willing to step out into the unknown. They are willing to take risks, to innovate and experiment in order to find new and better ways of doing things.”¹⁷

The word *lead*, at its root, means “go, travel, guide,” which is exactly what leaders are meant to do. The root origin of *manage*, on the other hand, means “hand.” Managers do more “handling” and controlling, rather than pioneering and guiding. True leaders search for opportunities. “Leaders look for ways to radically alter the status quo, for ways to create something totally new, for revolutionary new processes, for ways to beat the system. Whether leaders are selected for projects or initiate them, they always search for opportunities to do what has never been done.”¹⁸ By doing so, leaders create their own followers. Leaders are the people with the ideas.

¹⁷ James M. Kouzes, Barry Z. Posner, The Leadership Challenge (San Francisco: Jossey-Bass Publishers, 1995) 36.

¹⁸ Kouzes and Posner 36.

Through their research, Kouzes and Posner found that leaders' favorite examples of effective leadership were cases that involved major change, often improving performance by hundreds of percentages.¹⁹

It is also important for leaders to offer some sort of intrinsic motivation, rather than just extrinsic rewards such as money, bonuses, and stock options. People need other sources of satisfaction in their workplace. The more fulfilled employees are, the higher their productivity levels will be.

In addition to searching for new opportunities, leaders can also challenge the process by experimenting and taking risks. We must open our minds to new ways of thinking, and not be constrained to thinking about the way things have always been done. "Creative solutions to difficult problems require identifying and breaking free of self-imposed limitations. We need to look outside the existing way of doing things if we're to be innovative. Innovation requires risk taking, which is critical to an organization's health and development. Without constant innovation in products, services, and work processes, an organization will atrophy."²⁰

Leaders must also encourage their subordinates to take calculated risks. If employees know they have the freedom to make mistakes, more often than not they will instead come through with new ideas and procedures to improve the organization. Employees that are too scared of being reprimanded will not use their full potential.

If leaders do in fact make a mistake through their risk taking, it is possible to still have a positive outcome. This can happen through learning and growth. Leaders must

¹⁹ Kouzes and Posner 37.

²⁰ Kouzes and Posner 65-66.

learn from their experiences, whether or not they were successful. Sometimes people learn more from a negative experience than a positive one. They learn how to avoid such outcomes in the future; they learn what is effective, and what is not.

The second leadership practice addressed by Kouzes and Posner is *inspiring a shared vision*. Good leaders think about the future and what possibilities lie ahead. They believe in their dreams and their capabilities to make those dreams a reality. “Leaders have a desire to make something happen, to change the way things are, to create something that no one else has ever created before.”²¹ When leaders express excitement about a vision or dream, that excitement becomes contagious and spreads throughout the organization, inspiring others as well.

Kouzes and Posner believe that leaders attain the ability to become visionary when they master “the essentials of: imagining the ideal, and intuiting the future.”²² The authors define *vision* as “an ideal and unique image of the future.”²³ Therefore, *imagining the ideal* would entail foreseeing an extraordinary future for the company. After all, how many leaders envision doom? When imagining the ideal, we must brainstorm that which is possible, which among leaders usually includes everything.²⁴

Leaders often have an instinct for the future. *Intuiting the future* is more than instinct, however. Again, leaders must use past experiences to help determine what the

²¹ Kouzes and Posner 11.

²² Kouzes and Posner 94.

²³ Kouzes and Posner 94.

²⁴ Kouzes and Posner 97.

future may hold. Studying history will allow leaders to see past trends and cycles, in addition to what actions were successful and unsuccessful.²⁵

As the phrase implies, *inspiring a shared vision* means that leaders must include others in the quest for reaching that vision. Through their research, Kouzes and Posner discovered that when leaders were able to define and explain their vision to subordinates, those subordinates in return had notably higher levels of job satisfaction, motivation, commitment, loyalty, group spirit, clarity about the organization's values, pride in the organization, and organizational productivity. Thus, including others in the leader's vision will result in extreme results for the organization.²⁶

If subordinates feel that working towards the leader's vision will benefit them, and that the vision is truly attainable, they will be more willing to participate. A leader cannot ensure this will happen unless there is knowledge concerning the ambitions of the subordinates. It is the job of the leader to include common aspirations between the leader and the followers when developing a vision.²⁷

Enabling others to act, the third practice discussed by Kouzes and Posner, is done by giving power to subordinates. When people are empowered, they are much more likely to spend their time and effort on achieving exceptional things. They feel encouraged to take chances. Once they do so, people discover they have abilities they never knew they had. "Leadership is a relationship, founded on trust and confidence.

²⁵ Kouzes and Posner 104-107.

²⁶ Kouzes and Posner 124.

²⁷ Kouzes and Posner 129.

Without trust and confidence, people don't take risks. Without risks, there's no change. Without change, organizations and movements die.”²⁸

Leaders must foster collaboration among their employees, because “if the goal is to improve performance, the winning bet will be on cooperation over competition every time.”²⁹

In a study done at the University of Minnesota, David W. Johnson and Roger T. Johnson analyzed 581 empirical studies concerning how cooperative, competitive, and/or individualistic goal situations affected achievement or performance. When the effects of cooperation versus competition on productivity and achievement were studied, it was found that 60 percent of the people favored cooperation, 8 percent favored competition, and 32 percent found no difference. In addition, Johnson and Johnson studied the effects of cooperation versus individualism and found that 53 percent favored cooperation, 6 percent favored individualism, and 41 percent found no difference.³⁰

Not only does collaboration improve performance, but it also helps to improve the leader's image among followers. Kouzes and Posner have found that leaders who foster collaboration are viewed as more credible than those who foster competition among subordinates.

In addition to fostering collaboration, leaders must make others feel strong. The more empowered people feel, the higher the level of motivation they feel. They must believe that their work makes a difference in the organization, and that they make

²⁸ Kouzes and Posner 12.

²⁹ Kouzes and Posner 152

³⁰ David W. Johnson and Roger T. Johnson, Cooperation and Competition: Theory and Research (Edina, MN: Interaction, 1989).

important contributions. Allowing employees to make some of their own decisions regarding their jobs helps in the strengthening process. Also helpful is the development of competence. The more individuals know and understand about their organization, the more motivated they will be to work for its success. Finally, to enable others to act, a leader must offer visible support to subordinates. This includes recognizing employees for individual and group achievements.

Leaders must *model the way* for others. They do this by setting examples and building commitment to action. In regards to setting examples, Kouzes and Posner state that the key is to “do what you say you will do... To set an example, leaders must be clear about their values; they must know what they stand for. That’s the ‘say’ part. Then they must put what they say into practice: they must act on their beliefs and ‘do.’ ”³¹ In addition, when leaders set examples, they should act in a manner that is in accordance with the shared values of the company.

Building commitment to action is done by achieving small wins. When people or organizations move forward one step at a time, larger problems or projects are broken down until they are achievable. Once others can see that it can be done, they will be more committed and motivated.³²

The final practice, *encouraging the heart*, is the rewarding of people for performance that is in alignment with the shared values of the company. This reward system encourages the employees and shows them that they can succeed.³³ For a leader

³¹ Kouzes and Posner 211.

³² Kouzes and Posner 243-244.

³³ Kouzes and Posner 14.

to encourage the heart, he or she must recognize individual contributions to the success of every project. This includes linking rewards with performance. This is important because “people repeat behavior that’s been rewarded, avoid behavior that’s punished, and drop or forget behavior that produces neither result.”³⁴ Leaders should determine the most necessary results (such as increased quantity) and reward based on those variables. However, it is also important that subordinates know and understand what they are being evaluated on, as well as be given feedback on their performance.³⁵

Leaders must also celebrate the accomplishments of their subordinates. Kouzes and Posner address four main considerations when celebrating accomplishments. The leader must celebrate over key values, make celebration ceremonies public, be personally involved in the ceremonies and congratulating, and create social support rituals.

By celebrating only key values, the leader ensures that the celebrations are special, rather than if they occur over every small success. Making celebration ceremonies public ensures that the successful follower will be widely known and congratulated for his or her accomplishment. This also shows that the leader believes that the accomplishment is important. By becoming personally involved, the leader helps to create a bond between himself and the follower. That connection will help ensure that the follower will have future accomplishments. Finally, creating social support networks means that people sharing common goals are brought together. People feel that they are part of a special team, and will feel more motivated to succeed in the future.³⁶

³⁴ Kouzes and Posner 275.

³⁵ Kouzes and Posner 271-272.

³⁶ Kouzes and Posner 294-301.

Warren Bennis

Warren Bennis, author of On Becoming a Leader, believes that there are six basic ingredients found among leaders: guiding vision, passion, integrity, trust, curiosity, and daring. In his research, he has found that great leaders have shared many, if not all, of the above characteristics. Unfortunately, Bennis does not expand on his six ingredients as much as Kouzes and Posner do with their leadership characteristics. However, many of Bennis' ingredients overlap or show similarities with those of Kouzes and Posner, as will be discussed later in the paper.

This first ingredient he examines is a *guiding vision*, similar to that of Kouzes and Posner. Bennis states “the leader has a clear idea of what he wants to do – professionally and personally – and the strength to persist in the face of setbacks, even failures.”³⁷

Bennis' second ingredient is *passion*. “The leader loves what he does and loves doing it.”³⁸ If a person does not enjoy how he spends his time, he becomes bored, less productive, and eventually moves on to something new. Passion for one's life and one's career are what makes a person get out of bed every morning.

The third basic ingredient of leadership is *integrity*. This is composed of three parts: self-knowledge, candor, and maturity. Self-knowledge is important because a leader cannot lead others unless he has mastered himself.³⁹ Candor involves honesty

³⁷ Warren Bennis, On Becoming a Leader (Reading, MA: 1989) 39.

³⁸ Bennis 40.

³⁹ David A. Whetten and Kim S. Cameron, Developing Management Skills, 3rd ed. (New York: Harper Collins College Publishers, 1995) 56.

and sincerity, and is therefore the key to self-knowledge. Before leaders have true self-knowledge, they must be honest with themselves. Maturity is important because leaders must learn and grow through experience.⁴⁰

Integrity then leads to *trust*. Leaders need the trust of others, especially subordinates, in order to have an impact. Leaders must also be able to trust in others, and to give them freedom to make decisions.

The last two ingredients of leadership are *curiosity* and *daring*, which I equate to Kouzes and Posner's practice of challenging the process. This involves taking risks and not worrying about possible failures. Rather, a leader must look upon mistakes as a chance for learning.⁴¹

List of Leadership Characteristics

I have created my own list of leadership characteristics by analyzing The Leadership Challenge and On Becoming a Leader, as well as the article by Kets De Vries entitled "Charisma in Action." It is my belief that most effective western leaders embody a majority, if not all, of the characteristics on my list:

Leadership Characteristics

1. Pursues challenging opportunities to change, grow, innovate, and improve.
2. Is not afraid to take chances and learn from potential mistakes. The leader uses his curiosity to explore new ideas.
3. Foresees an optimistic and opportunistic future, including change.

⁴⁰ Warren Bennis, On Becoming a Leader (Reading, MA: 1989) 40-41.

⁴¹ Bennis 40-41.

4. Enlists others in a mutually beneficial and clearly defined guiding vision. The leader must motivate others to believe in the vision.
5. Develops teamwork by encouraging mutual goals (a sense of ownership) and building trust (trust must exist on both sides).
6. Strengthens people through empowerment, increasing self-esteem, providing options, developing competence, assigning critical tasks, and offering noticeable support.
7. Sets the example by behaving in ways that are consistent with shared values.
8. Moves forward a little at a time, encouraging consistent and steady progress, and increasing commitment to the organization and the leader.
9. Acknowledges individual contributions to the success of every project.
10. Acknowledges group accomplishments on a regular basis.
11. Links rewards with performance. Rewards with material benefits (i.e. stock options, bonuses, profit-sharing).
12. Displays passion about the company, the job, and life in general.
13. Has integrity: the leader knows himself and can use his past experiences for future actions.
14. Does not allow employees to become less involved as the organization grows. Large corporations should have a small business atmosphere (helps to take out negative aspects of large organizations).

As shown in the Leadership Characteristics Table on page 58, many of the above characteristics are emphasized by more than one of the scholars I have studied, and likely by many more that I have not even touched upon. As a result, I am encouraged to believe that the above list reflects the beliefs of many more contemporary leadership scholars, and that it will be a fairly accurate list by which to evaluate Mr. Schwab.

CHAPTER III

METHODOLOGY

Overview

I used a number of different sources for gathering information for my thesis research. First, I read Mr. Schwab's book entitled Pride In Performance – Keep It Going! I also used numerous magazine and newspaper articles to learn more about the company and Mr. Schwab's leadership characteristics. In addition, I developed a Les Schwab Tires anonymous manager survey, and interviewed Mr. Schwab during a phone conversation.

The University of Oregon Knight Library was also an excellent source of information. I was able to obtain many books concerning effective leadership characteristics, as well as use the Nexis/Lexis resource to obtain more articles concerning the company.

While I found the manager survey helpful in assessing Mr. Schwab's leadership effectiveness, I consider the written material, as well as my phone interview with Mr. Schwab, to be my primary sources of information. I therefore placed greater emphasis on these sources when evaluating Mr. Schwab.

Archival Data Sources

When I first decided that I would be writing my thesis on Les Schwab, I immediately bought and read his book Pride In Performance – Keep It Going!, sold at every Les Schwab Tires store. Mr. Schwab wrote the book in 1986, and it was originally intended for the 2000 families that work for the company, as well as for those families who will work for Les SchwabTires in the future. It is his hope that the company's employees will continue to live and work by his business theories even after he is gone. In addition, Schwab wrote the book entirely on his own, using his own words and even his own forty year-old typewriter, because he knew exactly how he wanted to tell his story.

At the time that I read Pride In Performance, I did not yet have a list of leadership characteristics against which I would compare Schwab. Therefore, as I read, I made notes in the margins about everything that was particularly different or interesting about the company. I was looking for special business theories that set Schwab and his company apart from the rest, trying to determine the secret of his success. After I had made my notes and developed my list of leadership characteristics, I created note cards with quotes that I felt either supported or contradicted the characteristics on the list.

I also wanted to explore any articles written on Schwab and his company. I used the University of Oregon Knight Library as my initial research point. I used the Janus system to search the University of Oregon Library Catalog. Using the “keywords” and “subject heading” searches, I typed in “Les Schwab.” Unfortunately, I was able to find only Pride In Performance, which I already owned.

My next step was to search the “indexes” in Janus. I used the Business Index to search “Les Schwab.” There were only a few articles mentioned, but most were in Modern Tire Dealer magazine, which is unfortunately not carried by the Knight Library. I was successful, however, in finding two articles in Oregon Business magazine, that I was able to locate in the library.

I also used Nexis/Lexis, which contains many databases and libraries in which a user may find articles on a particular subject. I used the “news” library, to read about stories of the company in the news, using the keywords “Les Schwab.” Unfortunately, there were almost 1000 entries, and many were irrelevant to my topic. I found it very time consuming to sort through every entry to determine which would be the most helpful. However, I did not want to limit the search too much, because I likely would have missed valuable information, so I took the extra time to review the material.

I also used the Knight Library to find sources on leadership theories. There are numerous books on the subject, so I tried to choose those whose authors I considered well known. The list included books by Warren Bennis, James Kouzes, Barry Posner, James Collins and Jerry Porras. I found the amount of information on the subject almost overwhelming, and it was disappointing to realize that I would only be able to focus on a few books.

Another valuable source of information was a friend who has been a long-term employee of Les Schwab Tires. Steve Boles, the Assistant Credit Manager, was able to assist me in gathering information concerning the company. He supplied me with approximately a dozen magazine and newspaper articles, including a few from Modern Tire Dealer that I had been unable to find; transcripts of the speeches given at the Les

Schwab Manager and Assistant Manager meetings for 1995, given by Les Schwab and Phil Wick, respectively; and approximately twenty Les Schwab Recaps, the company's monthly newsletter, created for its employees.

From the above information, I was able to use additional quotes, which I again wrote onto notecards. I separated the notecards according to which characteristic the quote supported or contradicted, adding them to the notecards I had accumulated from Pride In Performance. By separating them by characteristic, I was able to break down the enormous amount of information that I had gathered. This allowed me to see my results with greater clarity and understand their significance.

Interview

I was fortunate and honored to also be granted a phone interview with Schwab himself. I found this very helpful because I could ask questions that I felt had not yet been answered through my research of the company, including the following: 1) If you had the opportunity to talk to students, what would you want to tell them about leadership? What do you want to pass on to our future leaders? 2) What skills do you think would be important for a leader to have? 3) Is there anything concerning the company that you would have done differently, had you been able to go back and change it? 4) Are there any leaders that you especially admire, and why? And 5) Are there any events in your life, especially from your childhood, that you think have influenced your business practices or your work ethic?

From Mr. Schwab's answers, I was able to create more notecards containing interesting quotes.

Manager Survey

I used the list of leadership characteristics that I created to develop an anonymous Les Schwab manager survey, as seen in on page 58. The purpose of the survey was to learn how Schwab's store managers perceive him as a leader. Twenty-five surveys were sent with a goal of fifteen to twenty surveys being returned. I then asked my friend for a list of twenty-five store manager names and addresses. Therefore, I did not make an attempt to have a truly random sample of Les Schwab Tires store managers, but rather to have a list of people who would take the survey seriously, and would be more inclined to respond quickly. However, after researching Mr. Schwab and his company, I do not believe that there would have been a large variance in the type of responses I would have received had I sent the surveys randomly to a larger sample. To be a successful Les Schwab Tires store manager, a person must be dedicated to the company and its values.

Upon receiving a list of store managers, I sent each a packet containing a cover sheet, survey, and self-addressed stamped envelope. I felt that the self-addressed stamped envelope would increase the number of complete surveys returned to me.

I used a survey created by Kouzes and Posner as a basis for my own. I determined that a survey that could be answered in only five to ten minutes would be more likely to be completed than a longer, more complicated survey. I turned my list of characteristics found in effective leaders into a list of questions on which the Les Schwab Tires managers would anonymously evaluate Mr. Schwab. I used a scale of 1 to 5, with 1 meaning that Mr. Schwab never exudes this characteristic, and 5 meaning that he always has this characteristic. Examples of questions included "Mr. Schwab develops teamwork

by building trust with employees” and “Mr. Schwab strengthens people through empowerment and noticeable support.”

In addition to the fifteen questions evaluated on the scale, I created three open-ended questions to obtain information that could not be evaluated with a number. I felt there was more information concerning Mr. Schwab’s leadership ability that I would be unable to uncover in the first section. The open-ended questions were difficult, however, because I could not ensure that managers would take the extra time to think carefully and provide more information. However, after I received my responses, I found that seventeen out of eighteen answered at least one of the questions, if not all.

Overall, I had a greater problem of too much information, rather than not enough, and discovered the importance of narrowing a topic.

CHAPTER IV

RESULTS

In this section, I will evaluate Mr. Les Schwab as a leader, based on the list of leadership characteristics that I have developed. It will become apparent that many of the leadership characteristics I discuss overlap with one another. There is no easy formula for predicting leadership success.

I will first use the material gathered from Pride in Performance, my interview with Schwab, magazine and newspaper articles, and The Les Schwab Recap. I will focus on the results from the store manager survey separately.

In the course of my research, I accumulated approximately ninety-five note cards containing quotes. In each section I will state how many cards I created for that particular characteristic.

Leadership Characteristics

1. Pursues challenging opportunities to change, grow, innovate, and improve

For this characteristic, I was able to find nine quotes that supported that Mr. Schwab has a drive to succeed – a drive to make a difference. Not only does Mr. Schwab support this with his own words, but his wife Dorothy also states that “from the time we

first started going together in high school at age 17, I knew Les had a burning desire to be a businessman, to own a business of his own. He always had the idea to sponsor other people, to work through people. He just knew it could work.”⁴² Mr. Schwab knew that starting out on his own would be extremely difficult, yet he believed in himself, and what could result from teamwork. He also believed that the policies of the big rubber companies were worth fighting, and he wanted a chance to do things his own way.

When Mr. Schwab started out in business, a majority of the public did not believe that he would succeed. Even today some still feel that eventually Mr. Schwab will be unable to expand further. “The ‘experts’ have predicted failure for Les Schwab tire stores every step of the way. When Mr. Schwab entered the metro Portland and Seattle markets, people said his down-home spirit and service would never work in a big city.”⁴³ Mr. Schwab has clearly proved them wrong, having successfully opened numerous stores in these larger cities. However, had he listened to the “experts,” Les Schwab Tire Centers would still be a small-town organization, lacking a vision of growth for the future.

Mr. Schwab did not just pursue challenging opportunities when he started his business, but he continues to do so. Mr. Schwab pushes his employees to overachieve and “work their butts off,” because if they do not, then the company

... might just as well go the corporate way, drop most all bonus programs, hire a bunch of supervisors, and be just another corporate company. That would be bunk, and if all we are working for is money, then I think I will take my money and run. We have great people and they do a great job, but we must constantly remind ourselves as to just why we are successful and what we must do to

⁴² Dorothy Schwab, “Looking Back,” excerpt from Pride In Performance – Keep It Going! by Les Schwab (1986; Bend: Maverick Publishing’s, 1996) 232-234.

⁴³ Lloyd Stoyer, “King of the Northwest,” Modern Tire Dealer Mar. 1997: 26.

continue to be successful; because if we become complacent, brother it's all over with.

(Schwab, p. 55)

Mr. Schwab understands that it is important to challenge opportunities not only in the beginning, but rather, all the way through the life of the company. This is how organizations continue to be successful, rising above their competition. An organization will never reach a level in which it is no longer necessary to strive for improvement. The leader is the catalyst to ensure that the organization never becomes complacent – that it continues to grow and change.

Many of the quotes I have found support more than one characteristic found in effective leaders. The above quote could easily support characteristic number three (foresees an optimistic and opportunistic future, including change), as well as characteristic number six (strengthens people through empowerment, increasing self-esteem, providing options, developing competence, assigning critical tasks, and offering noticeable support). Truly effective leaders have combined characteristics in many of their actions.

For this leadership characteristic, as well as for a majority of the others, I was unable to uncover any non-supporting or contradictory information that would suggest that Mr. Schwab does not embody this trait or behavior. I will address my beliefs for why this is true in the Discussion chapter.

2. Is not afraid to take chances and learn from potential mistakes. The leader uses his curiosity to explore new ideas.

I was able to uncover five quotes that were supportive of this leadership characteristic. Many of Mr. Schwab's actions throughout his business were revolutionary

in the tire industry, and sometimes even in the world of business. For example, Mr. Schwab has an open-book management program in place, allowing every employee to know and understand what is happening financially in his or her store. And because of the profit-sharing program in place, employees are essentially partners, who have a real stake in how well their stores perform. Another example is Mr. Schwab's idea to create a "supermarket tire store," rather than displaying the tires in a small showroom and storing the majority of the tires in a warehouse. Mr. Schwab believed that by making the showroom the warehouse, he would greatly increase sales because customers would have an easier time shopping for their tires.⁴⁴

When Mr. Schwab started out, "he had imagination. He had nerve. He set goals and has surpassed all of them. He decided right off the bat that his customers would be his biggest asset, and he wanted them to return, so he gave them extra-special service. He knew right away that good employees were a key to a service business. He treated them well."⁴⁵ Not only did Mr. Schwab pursue challenging opportunities, but he was also not afraid to try things his own way. When the business was born forty-six years ago, emphasis on service did not receive nearly as much attention as it does today. Mr. Schwab explored this new frontier, and succeeded.

At an annual Les Schwab Manager Meeting three years ago, Mr. Schwab discussed some of the changes that he and the company have brought to the industry: "(1) Our concept of the Supermarket Tire Store, whereby we take private brand tires, have an exclusive on our main selling lines, and average about 37.5% profit, whereby our

⁴⁴ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 50.

⁴⁵ Robert W. Chandler, "Schwab/A Bulletin Alumnus," The Bend Bulletin, May 31, 1992.

competition is lucky to gross 20/25%; 2) taking down all rubber company signs and replacing them with the new Les Schwab Tires sign...(which) is more powerful today than the Michelin or Goodyear signs...and you make more profit with the Les Schwab sign than any Goodyear or Michelin dealer ever thought of making; 3) our concept of service to the customer.”⁴⁶ When Schwab implemented these policies, he was taking an enormous risk, because the policies were new to the industry. No one could be sure of their results. Yet Schwab knew that even if one or more failed, the negatives could become positives if he learned from his mistakes and moved on.

3. Foresees an optimistic and opportunistic future, including change.

I found eleven quotes to support this characteristic, but in actuality there are more, because many of my quotes have overlapped with other characteristics. Mr. Schwab has continued to have a positive vision for his company throughout the years. At the manager meeting in 1995, he stated that “about twenty years ago I said at a meeting just like today ‘It’s 1975 and big things are going to happen.’ And they did happen; as big things did happen during those twenty years. And today, I could say again, ‘It’s 1995 and BIG THINGS ARE GOING TO HAPPEN!’ Hell, I’ll only be 97 years old, and if not here in person, I’ll be here in spirit. This company will be around for many generations to come.”⁴⁷

Mr. Schwab can partly ensure that the company will live on after he is gone because Les Schwab Tire Center will not be made public. The Schwab family is very

⁴⁶ Les Schwab. Les Schwab Manager Meeting 1995. Sheraton Hotel, Seattle. July 1995.

⁴⁷ Les Schwab. Les Schwab Manager Meeting 1995. Sheraton Hotel, Seattle. July 1995.

adamant about this issue. By keeping the company in the family, Mr. Schwab believes that the business policies and theories that he has developed over the years will continue, and make the company even stronger and larger, continuing expansion. Even Mr. Schwab's daughter, Margie Denton, stated at the Les Schwab Managers Meeting in 1994, that "the number one strength our family has is the benefit of years and years of exposure to Dad and his thinking. Because of this, we have a good feel for the direction of this company. Our family will focus on the long term future, expansion, and the philosophy that this company was created to provide opportunity." ⁴⁸

In addition to the Schwab family, Mr. Schwab has worked with President Phil Wick for the last fifteen years. Even twelve years ago, however, Mr. Schwab was comfortable that Les Schwab Tires would move forward as he envisioned, even if he was no longer around to oversee the progress. In an Oregon Business article in December of 1986, Mr. Schwab stated that "Wick has what we call Schwabism. If I were gone tomorrow, this company would be in good hands." ⁴⁹

4. Enlists others in a mutually beneficial and clearly defined guiding vision. The leader must motivate others to believe in the vision.

For the fourth characteristic, I was able to find seven quotes that would support Mr. Schwab's ability on this front. For example, Mr. Schwab is able to motivate his employees to work for his vision by asking them "to do it not only for the company, and for them, but for the fun of it, for the complete enjoyment received from the attainment of

⁴⁸ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 237.

⁴⁹ Gail Kinsey Hill, "A Big Business With a Small-Town Image," Oregon Business Dec. 1986: 25.

helping others reach their goals. Our company has a way to help people to overachieve.”⁵⁰ By using his own vision of the future of the company and turning it into something his employees can be excited for, Mr. Schwab is able to motivate his employees to strive for success. Mr. Schwab uses motivational speeches such as those quoted under the third characteristic to get his employees excited about the future of the company. From the beginning, he understood that his employees would be essential for the success of his company. He had to somehow encourage them to deliver excellent customer service each and every time. That realization gave birth to his extraordinary profit-sharing and open-book programs.

Mr. Schwab’s profit-sharing program ensures that each store receives approximately fifty percent of the profits from that store. Therefore, the harder the store employees work (and the more money the store brings in), the more money the store employees will be making. This is a tremendous motivator, and as a result, Schwab customers experience friendly employees rushing out to greet them as soon as they drive up to a store. In addition, the company puts 15% (the maximum amount allowed by the federal government) of every employee’s annual earnings into a trust account. Currently, Les Schwab Tires has people retiring with \$600,000 or more in their trust accounts.

Schwab’s open-book policy, as stated earlier, allows employees to have access to company financial statements and ledgers. During my interview with him, I asked Mr. Schwab what skills I believed would be important for a leader to have. He said he believes that

⁵⁰ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 198.

... it comes naturally. But I've never thought about myself as being a leader. I never have. I think that openness, honesty, and I've always said that we don't have any secrets in our company. We could fool you for 6 or 8 months, but the truth always comes out. Why kid anybody? We just lay it out on the table and here's the figures. And you know the funny part of it is, I've always bragged about if you work for our company three or four years, it's almost as good as going to school and taking business for three or four years, because we are very open with our meetings, and P & L, each store is on their own and they're sharing the profits and everyone always knows what they're going to have coming into their wallets - they can see it for themselves.

(Les Schwab phone interview February 23, 1998)

Mr. Schwab believes that a leader cannot expect his employees to help him build the company unless they know and understand what is happening financially.

5. Develops teamwork by encouraging mutual goals (a sense of ownership) and building trust (trust must exist on both sides)

This characteristic is similar to the last because Mr. Schwab develops teamwork by referring to all employees as partners of the company. Once again, all employees have the mutual goal of excellent service, which will result in increased profits. Those increased profits will result in more money going to the employees. I was able to find ten quotes supporting Mr. Schwab's possession of this characteristic.

Mr. Schwab has developed trust both in and by his people. He has faith in their commitment and dedication to the company, and they have faith in him that he will provide for them and treat them with respect. Says Mark Jackson, a Schwab employee,

Les Schwab Tires finds and keeps great people better than just about anybody in our industry. What do they do? Well, if you'll work hard, Les promises a bright future. Within the company, your opportunities are limited only by your work ethic. But Les has about a million stores. Of course he has opportunities, you're saying. Yes, but he didn't always have a million stores. Once upon a time, Les was a single location. He was, and remains, committed to helping his people achieve what they want out of life. We must do the same. We must offer an appealing path into the future, perhaps this includes management opportunity, skills training, or education assistance.

(Jackson, p. 20-21)

It is important to note here that Jackson exaggerates with his figure of a million Les Schwab Tires stores. There are currently 198 stores open, with an additional 91 member dealer stores. Member dealer stores are similar to franchises, because they are not owned by Les Schwab Tire Centers, but they used the name and follow all company policies.

Mr. Schwab understands the importance of trust between employees and leaders. In his book, Mr. Schwab states “To me an important element in establishing a happy, prosperous atmosphere is our insistence on open, free, and honest communications in our business meetings. We owe each other our honest opinions at all times.”⁵¹ By encouraging this type of atmosphere, where an employee is meant to feel comfortable in expressing concerns, there is a definite sense of teamwork. All employees, including the owner, are working together to ensure that the company performs at its best.

6. Strengthens people through empowerment, increasing self-esteem, providing options, developing competence, assigning critical tasks, and offering noticeable support

Under this category, I was able to locate five quotes to support Mr. Schwab. He truly believes in the ability of his people, and will not hesitate to express that faith. At the 1995 Les Schwab Manager Meeting, Mr. Schwab stated that “the real reason for our success...(is) our people. We build from the bottom up; not from the top down. We offer opportunity to the young people who join our company, and we live up to our promises.”⁵² In addition, Mr. Schwab concluded his manager meeting, with “we love

⁵¹ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 198.

⁵² Les Schwab, Les Schwab Manager Meeting 1995, July 1995.

you.” By speaking to the employees in this fashion, Mr. Schwab is expressing how important they are to him, and to the company. This helps to give the employees self-confidence, and as a result, they will likely perform better.

Mr. Schwab is also able to challenge his employees to exceed their performance. He asks his employees to “reach for goals that they think are way beyond what they might think possible. So many have come such a long way. So many have a great future ahead of them.”⁵³ By using these “stretch-goals,” Mr. Schwab displays to his employees that he has a real belief in their abilities. By doing so, he has given them a tremendous amount of self-confidence, which is often all that is needed to exceed past performance. Once people have greater self-confidence, they are able to do things they never thought they could do before, which increases the level of self-confidence even more, and the cycle repeats itself.

Les Schwab Tires employee Mark Jackson has learned from the company that it is beneficial to “include your employees in your decision-making processes. They’ll pull much harder if it’s our plan, not ‘just another one of the boss’ wise ideas.’ Plus, who can suggest improvements better than the person who does the job? Our people can, and should be our best source of ideas. And the more we use their ideas, the more they’ll ‘give us.’”⁵⁴ Les Schwab Tires truly tries to teach employees how to achieve the company’s and their own visions.

⁵³ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 198.

⁵⁴ Mark Jackson, “Most Valuable Asset,” Tire Review Jan. 1998: 21.

7. Sets the example by behaving in ways that are consistent with shared values

Leaders must also set the example by behaving in ways that are consistent with shared values. For this characteristic, I was only able to find three examples. However, I believe that Mr. Schwab does set a good example for his employees. For example, a rule of Les Schwab Tires is that every manager must start work at the bottom of the ladder, and work his way up. Even Mr. Schwab himself started that way, despite the fact that he had never changed a tire before. Mr. Schwab believes that starting at the bottom gives every prospective manager the necessary knowledge of the company. It also gives the manager a better understanding of what goes on at the lower levels of the organization, and how to work with employees at those levels.

Mr. Schwab emphasizes customer service. He expects every employee to treat every customer exceptionally well, even if it means going above and beyond the call of duty (some Les Schwab Tires employees have been called to work late at night to help a customer in an emergency situation). Mr. Schwab knows that he cannot expect his employees to offer extraordinary customer service if he does not offer it himself. "Every day Schwab receives four or five letters, nearly all of them letters of praise from customers who were treated exceptionally well by a Les Schwab employee or store. Each letter receives a reply signed by Schwab."⁵⁵ Here Mr. Schwab sets a good example for how his customers should be treated.

⁵⁵ Matt Sabo, "Tireless and Driven," Bend Bulletin 1995.

In his book, Mr. Schwab gives another example of how he has treated his customers. He states “I would be in the middle of important business and would be interrupted by someone wanting to buy tires and, of course, only from me. I loved to sell tires and would often try to get my bookwork done on Sundays.”⁵⁶ Even though Mr. Schwab was the owner of the company, and could basically set his own hours, he spent his free time doing work for the company so that he would have more time to spend with his customers. By doing so, Mr. Schwab showed his employees just how important he considers the customers. If an employee knows that the owner will go to such extremes to please the customers, the employee will not have to think twice about giving the same level of customer service.

8. Moves forward a little at a time, encouraging consistent and steady progress, and increasing commitment to the organization and the leader

I found five quotes to support that Mr. Schwab encourages consistent and steady progress. A good example of this would be the theme that Les Schwab Tires chose for 1995: “one tire at a time.” Mr. Schwab stated, “I do believe that this theme speaks to what this company is all about and relates to our success. We worry about one tire at a time, one customer at a time, one store at a time, one employee at a time. We take care of the little things, and make sure that we are successful everyday and in turn we produce the fantastic results that I talked about.”⁵⁷ Les Schwab Tires has not taken on the big-business thinking that in order to grow, a company must rush out and engulf everything

⁵⁶ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 36.

⁵⁷ Les Schwab, Les Schwab Manager Meeting 1995, July 1995.

in its path. Mr. Schwab said “I think that policy has kept us from jumping out and buying out existing chains of stores, and we have had many opportunities. We build one store at a time, and we pay for them as we build them.” This is one reason that the company remains free of debt. So while the company continues to build about ten stores per year, Mr. Schwab takes things one step at a time, never biting off more than he can chew. And a major reason for the expansion is because the company promises employees that if they show that they will be good managers, the company will build them a store, giving them that chance to succeed.

On the other hand, there has been mention of a desire to expand somewhat faster. For example, when Mr. Schwab had opportunities to buy small public firms, he knew that doing so would make expansion easier and faster. I am sure the outcome was tempting, but Mr. Schwab stood firm, decided against enlarging his company to that degree.⁵⁸

9. Acknowledges individual contributions to the success of every project.

10. Acknowledges group accomplishments on a regular basis.

For these characteristics, I found nine examples of Mr. Schwab’s acknowledgement of groups and individuals on a regular basis, although there were many more for acknowledging the groups. This acknowledgement encourages employees to continue striving for success, because they feel more important, and that their contributions are worthwhile. In the Les Schwab Recap monthly newsletters, there are sections for acknowledging employees and stores for different achievements. Every month the company acknowledges individuals recently promoted to new management positions. In addition, Mr. Schwab publishes letters or articles written describing

⁵⁸ Les Schwab, Pride in Performance – Keep it Going! (1986; Bend, OR: 1996) 106.

exceptional service or experiences at particular stores, so that store will be recognized company-wide. The Recap also publishes the top ten stores for sales increases, member dealers in sales increases, stores exceeding sales records, and the chosen department and store of the month. In addition, Mr. Schwab sends personal letters of congratulations to stores who have performed exceedingly well.

When a group or individual feels that his accomplishment is important, he will be much more likely to try to repeat that accomplishment. Without acknowledgement, people feel like their accomplishments are worthless, and it is therefore pointless to put forth the effort to succeed again.

I was not surprised to find more examples of group acknowledgement than individual. Les Schwab Tires continues to grow, and it would be extremely difficult for Mr. Schwab to acknowledge each employee every time he or she contributed to the success of a project. However, Mr. Schwab has always been concerned with learning names of employees, and making them feel like they are a part of the team. Little things like this help employees to feel acknowledged.

11. Links rewards with performance. Rewards with material benefits (i.e. stock options, bonuses, profit-sharing)

In addition to acknowledging accomplishments and contributions, the leader must also link rewards with performance. For this section, I found one example. However, that one example is extremely important: profit-sharing.

Linking rewards with performance encourages a repeat of exceptional performance. Scholars believe that rewarding with material benefits other than salary is the most effective method, such as stock options or profit-sharing. As discussed earlier,

Schwab has an extraordinary profit sharing program in place, giving 49.51% of a store's profit back to the employees in the store. Within the last few years, Schwab has also added a generous year-end bonus.⁵⁹ By offering rewards such as these, Schwab is succeeding in getting one hundred percent commitment and dedication from his employees. They work hard and feel good about what they accomplish.

12. Displays passion about the company, the job, and life in general

I was able to find seven quotes that support Mr. Schwab's passion for the company. Ask anyone in the company, and they will tell you that Schwab's company is extremely important to him. After all, he created it. Despite reaching the age of eighty last October, Mr. Schwab still goes into the office almost every day. He cares so much about the company that he would "...never sell. The company would change. A buyout would plunge it in debt and make it a different company. There would be so much interest due on their investment that they'd cut our profit sharing and bonuses for our employees. I'd never sell."⁶⁰ As stated earlier, Schwab has taken steps to ensure that the company will remain in his family after he is gone. His children and grandchildren are committed to the company, as is company president Phil Wick.

People have also asked Mr. Schwab why he has not chosen to go public with the company's stock. His answer is simple,

When we had twelve or thirteen stores, I thought a lot about going public, partly to raise money to expand faster. I had the chance to buy a small public company that was nearly bankrupt, it would have been an easy way to go public. I am so

⁵⁹ Lloyd Stoyer, "King of the Northwest," Modern Tire Dealer Mar. 1997.

⁶⁰ Keith Fredrickson, "That Big Wheel in the White Stetson? He's Also a Real Person," Bend Bulletin 1992.

glad I resisted the urge to have our stock on the market. I don't want a few investors around the country club asking about our business and questioning some of our decisions.

(Schwab p. 106)

Many of Mr. Schwab's business decisions over the years have been revolutionary. Many people questioned whether they would succeed. However, Mr. Schwab has proven that he knows how to run a business, and I can therefore understand his desire to avoid big-time businessmen who think they know everything there is to know about how to run a business.

13. Has integrity: the leader knows himself and can use his past experiences for future actions

Does Mr. Schwab have integrity? I found eleven quotes that say he does. Read his book and a person will repeatedly read of how dishonest the big rubber companies were, and how angered Mr. Schwab was with that. Mr. Schwab said, "I had a theory that went like this: Never take advantage of a customer, never take advantage of an employee, but take all the advantage you possibly could of a rubber company because they were not being fair and honest with me during this period."⁶¹ Mr. Schwab has always placed a great deal of trust into others as well as himself, and he has always treated them with honesty and unselfishness.

This is also shown in his loyalty to the town of Prineville, where Les Schwab Tires' headquarters is located. Mr. Schwab has been determined to keep the company there, but that decision has cost him about \$.40 per tire for extra shipping.⁶² This adds up

⁶¹ Cleve Twitchell, "Schwab Tells Story of Centers," Medford Mail Tribune Nov. 28, 1986.

⁶² Doug Bates, "This Old Boy Deserves Central Oregon's Gratitude, Not Grief," Bend Bulletin Sep. 27, 1997.

to about \$1.6 million annually, all because of his loyalty to the town and the people that live there.

Another example of Mr. Schwab's integrity is that he did not change his image when he started to move the company into larger cities like Portland and Seattle.⁶³ He continued with his down-home spirit, rather than trying to make the stores look more urbanized. This worked well for the company, but it took courage to defy the experts, and not change his appearance. Mr. Schwab did not want to become someone he was not.

In addition, Mr. Schwab's refusal to sell the company can also be used as an example of his integrity. He says "they'd dismantle my programs one by one. I just couldn't do it; I just couldn't sell my employees down the river like that."⁶⁴ By keeping the company private, Mr. Schwab has a much greater chance of ensuring that his profit-sharing and open-book management programs (both of which are extremely beneficial to his employees) will continue.

14. Does not allow employees to become less involved as the organization grows. Large corporations should have a small business atmosphere (helps to take out negative aspects of large organizations)

For this characteristic, I was able to find seven examples in which Mr. Schwab expresses the importance of keeping employees involved. For example, Mr. Schwab states in his book that

⁶³ Lloyd Stoyer, "King of the Northwest," Modern Tire Dealer Mar. 1997.

⁶⁴ Gail Kinsey Hill, "Straight Shooter," Oregon Business Dec. 1986: 90.

A company starts, it grows, and as it grows more and more of the decision making moves to the main office. And this is one hell of a big mistake. The decision making should always be made at the lowest possible level. People at the lower end begin to feel like puppets...pull a string and they are expected to react. A policy book is started. It gets larger and larger. People become numbers, morale gets down, they join a union, and soon your company is just another big corporation.

(Schwab, p. 211)

Mr. Schwab ensures that his employees are involved in the company with his open-book policy, allowing them to know at all times what is happening in the organization. Margie Denton, Mr. Schwab's daughter, said at the Les Schwab Manager Meeting in 1994, "Through your efforts, Les Schwab Tires is now Big Business. And because it is also a big responsibility, I have asked myself, 'are we going to be able to keep this company going? And as big as we are getting, are we going to be able to avoid developing that Big Company Attitude?'...Yes!"⁶⁵ This is because Schwab has kept the family-like atmosphere in the company, even as it has continued to grow. All employees are made to feel like they are part of the Schwab family. They are the company's most valuable asset, and they know it.

Manager Survey Results

Quantitative Results

I received eighteen responses to the anonymous manager survey that I developed. The first fifteen questions were based on the leadership characteristic list that I developed, and were rated on a scale of 1-5, with the following anchors: 1=Never,

⁶⁵ Margie Denton, "We Believe in the Same Dream," excerpt from Pride in Performance – Keep it Going! by Les Schwab(1986; Bend, OR: 1996) 235.

2=Once in Awhile, 3=Sometimes, 4=Most of the Time, 5=Always. Of the fifteen questions, seven received mean scores of 5 (meaning that all eighteen managers rated Mr. Schwab as a 5 for those questions). As a result, the standard deviations for those questions were zero. Those seven questions were: Mr. Schwab...1) pursues challenging opportunities to change grow, and improve; 4) foresees an optimistic and opportunistic future; 7) develops teamwork by encouraging mutual goals (a sense of ownership); 8) develops teamwork by building trust with employees; 10) sets the example by behaving in ways consistent with shared values; 14) links rewards with performance; 15) displays passion about the company and life in general.

There were three questions in which Mr. Schwab received a mean score of 4.89. For these questions, there were sixteen managers who gave 5's, and two who gave 4's. The standard deviation for these questions was .32. The following questions received these scores: Mr. Schwab...3) learns from past negative experiences; 6) enlists others in a mutually beneficial and clearly defined guiding vision; and 13) acknowledges group accomplishments on a regular basis.

In total, there were only two different questions that received a score of 3: Mr. Schwab...2) is not afraid to take calculated risks; and 5) embraces change. One additional question received a score of 2: 11) Mr. Schwab moves forward a little at a time, encouraging steady progress. No scores of 1 were given. The highest standard deviation was .78, for question 11. Thus, the scores given were fairly consistent. The results of the manager survey indicate that Mr. Schwab possesses the characteristics of an effective leader.

Qualitative Results

My first open-ended question asked the managers to list two or three qualities of a good leader (that had not been included in the first fifteen questions) that Mr. Schwab exemplifies. I found it interesting that eight of the seventeen managers who answered this question stated that Mr. Schwab is honest, correlating with the leadership characteristic concerning integrity. Because of his honesty, it appears that his managers place a great deal of trust in him and what he has done for their organization. As a result they feel comfortable and happy working for the company.

I also found managers repeatedly stating how Mr. Schwab is very giving of himself. If the completed surveys that I received are representative of the feelings of a majority of Les Schwab managers, they believe that they are fairly rewarded for their hard work. Stated one anonymous manager, "He knows that by sharing profits with his employees, that he will have and keep loyal and fiercely dedicated people...There is a saying in this company that to whom much is given, much will be expected in return. The rewards for our hard work are some of the most successful and highest paid jobs anywhere in the country."

Summary

As I wrote my quotes and examples onto my notecards, I often found it difficult to decide which category was best suited for the quote. For example:

If our people don't over achieve, and if our people don't work their butts off, then we might just as well go the corporate way, drop most all bonus programs, hire a

bunch of supervisors, and be just another corporate company. That would be bunk, and if all we are working for is money, then I think I will take my money and run. We have great people and they do a great job, about we must constantly remind ourselves as to just why we are successful and what we must do to continue to be successful; because if we become complacent, brother it's all over with.

(Schwab, p.55)

This example could work for a majority of the leadership characteristics I have discussed. Mr. Schwab understands the consequences of complacency. A company must continue to pursue challenging opportunities to change, grow, innovate, and improve. As a result, the leader must not be afraid to take chances and learn from potential mistakes. In the above quote, Mr. Schwab is enlisting his employees in a mutually beneficial vision, by encouraging their hard work and dedication to customer service. He is also strengthening people and increasing employee self-esteem, by constantly reminding his employees that they are “great people and they do a great job.” Mr. Schwab shows his integrity and his passion by reminding his employees he is not just working for money, but rather to build a great company. Mr. Schwab also does not allow his employees to become less involved as the organization grows by reminding them of just how important they are to the success of the company.

Many other quotes and examples that I found were similar in that they could have been used to support many different leadership characteristics. This demonstrates that individual leadership characteristics make a greater impact when intertwined with one another. They should all overlap, making the leader that much more effective.

Finding information that contradicted Mr. Schwab's possession of the leadership characteristics proved to be very difficult. I found one example in which Mr. Schwab had expressed a desire to expand faster, as it could provide more opportunities for

potential managers. This would contradict with the beliefs of Kouzes and Posner, as well as Kets de Vries, who believe that it is better for leaders to move forward a little at a time, encouraging consistent and steady progress. However, Mr. Schwab eventually decided not to take the faster route of expansion.

CHAPTER V

DISCUSSION

In his article “Charisma in Action,” Kets de Vries discusses the importance of visionary leaders. He states that these charismatic leaders strive to be the first with a revolutionary idea. They want to change the way businesses do things.⁶⁶ I have found Mr. Schwab to be this kind of leader. He was born with a vision for the future. Even as a teenager, Mr. Schwab had dreams of building something successful. As his dream took the shape of a tire company, he began to have new ideas of how to run that company. He believed in excellent customer service, as well as the importance of employee satisfaction. He developed an extraordinary profit-sharing program to increase employee motivation and dedication. Mr. Schwab developed the concept of the Supermarket Tire Store, predicting that it would increase sales. He even went so far as to take down the rubber company signs and replace them with his own Les Schwab Tires sign. Kets de Vries would likely see Mr. Schwab as a successful charismatic leader.

Kouzes and Posner describe five fundamental practices of leadership in their book The Leadership Challenge: challenging the process, inspiring a shared vision, enabling others to act, modeling the way, and encouraging the heart. All of these practices are in

⁶⁶ Manfred F. R. Kets de Vries, “Charisma in Action,” Organizational Dynamics, Winter 1998: 7-20.

some way part of my list of characteristics found in effective leaders. I found evidence that Mr. Schwab practices all five. For example, he challenges the process by constantly considering new business practices, such as his exceptional profit-sharing program, as well as his idea to break away from the large rubber companies and use his own signs. Both were uncommon, if not unheard of, yet Mr. Schwab had the courage to challenge the process.

He inspires a shared vision among his employees by continuously talking about the future, and what opportunities exist for the company. By being optimistic himself, Mr. Schwab is able to get his employees excited about what they can achieve.

Mr. Schwab has always enabled others to act by providing employee empowerment. He lets each store stand alone, and holds those employees accountable for the store's success or failure. Mr. Schwab has always encouraged his employees to use good judgement when dealing with customers. A level of trust is shown on both sides, and as a result, has very little dishonesty in the company.

In addition, Mr. Schwab models the way by setting an excellent example for his employees. He treats each and every customer with exceptional service, and expects his employees to do so as well. He has also acted with integrity, demonstrating that dishonesty will not be tolerated.

Lastly, Mr. Schwab "encourages the heart" by recognizing his employees' contributions to the organization. They are acknowledged in the monthly company newsletter The Les Schwab Recap. In addition, extravagant manager and assistant manager meetings are held every year, including an all-expense paid trip to Hawaii every five years for every manager. The profit-sharing program, as well as the bonuses, also

act as motivational tools for employees, creating excitement about the success and direction of the company.

Warren Bennis described six basic ingredients found among leaders in his book On Becoming a Leader: guiding vision, passion, integrity, trust, curiosity, and daring. Kets de Vries, as well as Kouzes and Posner also covered many of these ingredients. Again, Mr. Schwab exemplifies every leadership ingredient noted by Bennis. His guiding vision existed even before the start of his company, but he has maintained an optimistic vision for the future.

Mr. Schwab undoubtedly expresses a passion for both his company, as well as for life in general. Even though he turned eighty years old last October, Mr. Schwab still goes into work almost every day, remaining involved in the company's activities.

Through the course of my research, I was able to find many examples of Mr. Schwab's integrity, including the fact that he will never sell his company or take it public. He believes that there would likely be too many negative outcomes for his employees, including the loss of the profit-sharing and open-book management programs. As a result, he has shied away from the easy path towards expansion.

I have demonstrated that Mr. Schwab has been able to develop a level of trust on both sides between himself and his employees. He constantly expresses his belief in his employees to do great work, and his employees trust him as well. Les Schwab Tires employees understand how important the company is to Mr. Schwab, and they know that he would never intentionally do anything that would put their future in danger.

"Curiosity" and "daring," as I have stated earlier, are very similar to Kouzes and Posner's practice of challenging the process. Mr. Schwab has made revolutionary

business practices. He was willing to take a chance that they would work, because he truly believed that they would be successful.

Overall, I believe Mr. Schwab has shown an exceptional ability on two fronts: pursuing challenging opportunities, and enlisting others in a mutually beneficial guiding vision. I believe that the programs Mr. Schwab has put into place have made a large difference in the success of his company. The development of the profit-sharing program has created a remarkable level of employee satisfaction and dedication to the company. As a result, they have discovered the importance of great customer service. Once Les Schwab Tires has a customer, the company has a customer for life.

As can be seen in the previous chapter, I was able to find at least one example of how Mr. Schwab possesses each leadership characteristic that I deemed important for effective leaders to have. I must admit, however, that when I chose my topic, I suspected that I would find Mr. Schwab to be an effective leader. People have been impressed with his leadership tactics for years. On the other hand, because Mr. Schwab's leadership style tends to be different from that of other contemporary leaders, I wondered if he would measure up against the contemporary theories of leadership that I addressed.

He did, which draws me to the conclusion that leaders can have different leadership styles or techniques, yet still embody similar characteristics. For example, one characteristic I addressed was the development of teamwork by encouraging mutual goals (a sense of ownership) and building trust on both sides. People can address this characteristic differently. Mr. Schwab chose to build trust, partially, by creating an open-book management program that allowed employees to know and understand the financial statements of their stores. Many leaders choose not to allow this level of openness. Mr.

Schwab chose to encourage mutual goals by developing the extraordinary profit sharing program, so that employees could have a hand in their own success. The only leader whom I can think of that even comes close on this respect was J.C. Penney. Yet other leaders have found success through developing their own programs.

Again, there is no perfect, clear-cut way to determine if a person will be an effective leader.

The Future of Les Schwab Tires

When I first began my research, I had my doubts as to whether Les Schwab Tires could continue at the same level of success after Mr. Schwab is gone. The company is forty-six years old, and has never been without him. As I have shown, the extraordinary business policies that have developed within the company were used because Mr. Schwab developed them and believed that they would work. And they did. But after he is gone, who will be there to make sure the company continues to grow, change, and improve? Who will develop new programs and policies?

In their book Built To Last, James C. Collins and Jerry I. Porras differentiate between “time tellers” and “clock builders.” They state that

...having a great idea or being a charismatic visionary leader is “time telling”; building a company that can prosper far beyond the presence of any single leader and through multiple product life cycles is “clock building.” ...Builders of visionary companies tend to be clock builders, not time tellers. They concentrate primarily on building an organization – building a ticking clock – rather than on hitting a market just right with a visionary product idea and riding the growth curve of an attractive product life cycle...their greatest creation is *the company itself* and what it stands for.

(Collins and Porras, p. 23)

That said, is Mr. Schwab a time teller or a clock builder? He is a charismatic visionary leader, and has undoubtedly had great ideas, yet he has done much more. He has spent the last forty-six years building the company into something great. Rather than simply starting a tire store, he has created extraordinary programs for his employees, as well as building a reputation for excellent customer service. Programs and practices like these are what allow a company to continue to grow, even after the initial leader is gone. Mr. Schwab has spent the last forty-six years building a company, rather than solely trying to sell the product.

In addition, I do not believe that there will be just one person who will keep Les Schwab Tires going, although president Phil Wick will certainly be of great importance. Mr. Wick joined the company at the age of twenty-two. At twenty-four, he was the company's youngest manager. When he was twenty-seven, he moved to Prineville to manage the retail sales division. In 1983, he was named president. For the past fifteen years, Mr. Wick has been leading the company, though Mr. Schwab is still involved. It is apparent that Mr. Wick lives and breathes Les Schwab Tires. He understands the business policies, and he believes in them. By now he probably even thinks like Mr. Schwab. So will there be someone to lead the company after Mr. Schwab is gone? You bet there will be.

The Schwab family will also play an important role in ensuring the continuing success of the company. I have stated that the family is adamant that Les Schwab Tires will remain private. Mr. Schwab's daughter, Margie Denton, has even given a speech at an annual manager meeting when Mr. Schwab could not be present.

Finally, I believe the employees will make the company's future success certain. Never before have I thought that the followers of a charismatic leader would be able to maintain the company spirit and beliefs after that leader had departed. Granted, they will have Phil Wick to follow, but I believe that the Les Schwab Tires employees know that the current Schwab business policies work well for them and for the company. Employees are motivated to work hard, and their success is rewarded.

Problems could occur with the continuation of expansion. Just how big will the company get? They currently have 198 stores open, and they continue to build approximately ten more every year. Is it possible that the company could expand all the way east and south? Are the people of New York ready for Les Schwab Tires? The "experts" said that the company would never survive in the metro areas of Portland and Seattle, yet they have done outstanding business. The Les Schwab Tires stores in Portland were outselling their nearest competitor by about eight-to-one in March 1997.⁶⁷ So maybe New York is not ready now, but if the company continues to grow at a constant, steady rate, there is potential for that sort of expansion. However, the company has continued to grow in the past because current Les Schwab Tires employees continue to desire management positions. The company has said that if there are employees who work hard to achieve that goal, they will continue to build stores for them.

Limitations of the Study

I did encounter some limitations of my research. For the manager survey that I developed, there is no statistical data to support the survey's validity. However, my

⁶⁷ Lloyd Stoyer, "King of the Northwest," Modern Tire Dealer Mar. 1997: 26.

purpose for developing the survey was to gather more information on Mr. Schwab's leadership practices, and to get the opinions of those who have worked with him. In addition, my sample of managers was not very large or random. However, my reasoning behind this was that I felt it was more important to have a list of people who would take the survey seriously, and would be more inclined to respond quickly. I also believe that had I used a larger, random sample, I would not have had a large variance in the type of responses I would have received.

Another limitation was that I depended largely on the archival data sources that I could find. These written sources were either written by or about Mr. Schwab, and were largely positive in nature. It is possible that some negative information could have been left out. However, I occasionally encountered small mentions of negative aspects of the company, including periodic lawsuits, as well as concern over new stores being built in certain locations. After reading these articles, I had found nothing to detract from any of the leadership characteristics practiced by Mr. Schwab. This leads me to conclude that even if I had found more negative articles, I would have come to the same conclusion.

Finally, another limitation might be that an outsider, with no past knowledge of the company and Mr. Schwab, might have reviewed the same material and come to different conclusions. Quotes and examples that I found might have been interpreted differently.

Summary

My original goal for this thesis was to answer the question: how do the leadership ideas and practices of Mr. Les Schwab compare to contemporary theories of leadership?

I must admit that when I began this research, I wondered how contemporary a person could be after leading people for over forty-five years. However, when I found at least one example of Mr. Schwab practicing every characteristic that I identified as important for effective leaders, I concluded that Mr. Schwab is in fact an effective leader. In addition, I found very little contradictory information that would suggest that perhaps Mr. Schwab does not practice some of these leadership characteristics.

In addition to answering my original question, I was able to answer a secondary question: what will happen to Les Schwab Tires after Mr. Schwab is gone? Again, I was surprised to learn that it is possible for a company to survive the leader if the leader has taken the essential steps. Mr. Schwab built his clock, and he developed programs and policies that will allow the company to continue to tell time. It is possible, maybe even likely, that Les Schwab Tires will falter briefly when Mr. Schwab is gone. However, I have no doubt that the company will continue to grow and change.

LEADERSHIP CHARACTERISTICS

Leadership Characteristics	Kouzes & Posner	Bennis	Kets De Vries
1. Pursues challenging opportunities to change, grow, innovate, and improve.	X		X
2. Is not afraid to take chances and learn from potential mistakes. The leader uses his curiosity to explore new ideas.	X	X	
3. Foresees an optimistic and opportunistic future, including change.	X	X	X
4. Enlists in others in a mutually beneficial and clearly defined guiding vision. The leader must motivate others to believe in the vision.	X	X	X
5. Develops teamwork by encouraging mutual goals (a sense of ownership) and building trust (trust must exist on both sides).	X	X	X
6. Strengthens people through empowerment, increasing self-esteem, providing options, developing competence, assigning critical tasks, and offering noticeable support.	X		X
7. Sets the example by behaving in ways that are consistent with shared values.	X		X
8. Moves forward a little at a time, encouraging consistent and steady progress, and increasing commitment to the organization and the leader.	X		X
9. Acknowledges individual contributions to the success of every project.	X		
10. Acknowledges group accomplishments on a regular basis.	X		
11. Links rewards with performance. Rewards with material benefits.			X
12. Displays passion about the company, the job, and life in general.		X	X
13. Has integrity: the leader knows himself and can use his past experiences for future actions.		X	
14. Does not allow employees to become less involved as the organization grows.			X

LES SCHWAB MANAGER SURVEY

Please rank Mr. Les Schwab on the following according to the scale below:

1=Never 2=Once in Awhile 3=Sometimes 4=Most of the Time 5=Always

- _____ 1. Mr. Schwab pursues challenging opportunities to change, grow, and improve.
- _____ 2. Mr. Schwab is not afraid to take calculated risks.
- _____ 3. Mr. Schwab learns from past negative experiences.
- _____ 4. Mr. Schwab foresees an optimistic and opportunistic future.
- _____ 5. Mr. Schwab embraces change.
- _____ 6. Mr. Schwab enlists others in a mutually beneficial and clearly defined guiding vision.
- _____ 7. Mr. Schwab develops teamwork by encouraging mutual goals (a sense of ownership).
- _____ 8. Mr. Schwab develops teamwork by building trust with employees.
- _____ 9. Mr. Schwab strengthens people through empowerment and noticeable support.
- _____ 10. Mr. Schwab sets the example by behaving in ways consistent with shared values.
- _____ 11. Mr. Schwab moves forward a little at a time, encouraging steady progress.
- _____ 12. Mr. Schwab acknowledges individual contributions to the success of every project.
- _____ 13. Mr. Schwab acknowledges group accomplishments on a regular basis.
- _____ 14. Mr. Schwab links rewards with performance.
- _____ 15. Mr. Schwab displays passion about the company and life in general.

List 2 or 3 qualities of a good leader (not listed above) that Mr. Schwab exemplifies:

List anything Mr. Schwab currently does not do that might improve his effectiveness as a leader:

Please use the space below or on the back for anything else you feel I should know about Mr. Schwab.

LETTER TO LES SCHWAB MANAGERS

Dear Mr.

I am a senior at the University of Oregon, studying Business Administration. For the topic of my thesis, I have chosen to study Mr. Les Schwab and his company. Fortunately, I have already had the opportunity to interview Mr. Schwab. In addition, an essential part of my research will be your responses to the enclosed Les Schwab Manager Survey. Steve Boles has assisted me by providing a list of managers to complete the anonymous survey. I would greatly appreciate it if you could take 5-10 minutes to fill it out, and return it as soon as possible before April 24. I have included a self addressed stamped envelope.

Thank you for your help. This survey will be extremely beneficial for my research and analysis of Mr. Schwab.

Sincerely,

Kathleen E. Pierce

Enclosure: Les Schwab Manager Survey, return envelope

MANAGER SURVEY RESULTS

Question Number	Mean	Standard Deviation	5's	4's	3's	2's	1's
1	5	0.0	18 (100%)	-	-	-	-
2	4.39	0.61	8 (44%)	9 (50%)	1 (6%)	-	-
3	4.89	0.32	16 (89%)	2 (11%)	-	-	-
4	5	0.0	18 (100%)	-	-	-	-
5	4.44	0.62	9 (50%)	8 (44%)	1 (6%)	-	-
6	4.89	0.32	16 (89%)	2 (11%)	-	-	-
7	5	0.0	18 (100%)	-	-	-	-
8	5	0.0	18 (100%)	-	-	-	-
9	4.78	0.43	14 (78%)	4 (22%)	-	-	-
10	5	0.0	18 (100%)	-	-	-	-
11	4.56	0.78	12 (66%)	5 (28%)	-	1 (6%)	-
12	4.72	0.46	13 (72%)	5 (28%)	-	-	-
13	4.89	0.32	16 (89%)	2 (11%)	-	-	-
14	5	0.0	18 (100%)	-	-	-	-
15	5	0.0	18 (100%)	-	-	-	-

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