

Sas institute – the decision to go public essay sample

[Business](#), [Organization](#)



Introduction

Employees define an organization. The success of any corporation relies heavily on its human capital. Stress and emphasis should be given to this particular resource by employing strategies that would adhere to the strong principles and philosophies for progress and development of the people at work.

SAS Institute, a private company engaged in the development and distribution of software packages and other business IT solutions, is one of the few companies that was able to integrate strategic value in its human resource management that contributes to the overall success of the company. This strategic function in relation to its over all business strategy highlights the greater efficiency of its services and process whose focal point are its customers and clients. SAS must pursue its plans to go public within the framework of human resource strategy as it will allow its employees to directly have a stake on the company as well as partake of the company earnings as owners. At the same time a new public nature will enhance the company's public visibility that can help boost its market.

The Software Development Industry

The business of information technology is marked by a rapid phase of obsolescence and changes. More so, the advent of globalization created a business climate with stiffer competition that is characterized by implacable volatility mainly due to cultural diversity and continuous technological development. The principal source for generating income in the industry is

software licensing and consulting services. The latter however forms part of the sales process of SAS in line with its commitment to customer service. Thus, unlike other companies within the industry like SPSS, the bulk of SAS income (around 90%) is derived from software licensing. As of 1999, the company continued to enjoy a steady growth ranking 2nd in terms of net income (next to Oracle) with 183 million dollars. In terms of management performance however, the net profit margin shows that SAS operates most efficiently against the rest. (Exhibit 1)

The SAS Strategy

The strategy of SAS is explicitly stated in the marketing and promotional campaigns of the company which is based on the philosophy of investing in the future. The main objective is to develop a close, lasting and responsive relationship with its customers. This strategy focuses on customer care management and product development. For the former, SAS provides expertise in the industries that it serves hence it directly partners with its customer in understanding and developing needed solutions for customer problems. For the latter, the company engages in continuous research and development in order to improve its products and services thereby making it more responsive, convenient and effective in addressing the needs of its clients.

At the heart of these tactics however and that which afford the company to effectively and successfully implement them is its strategic human resource management. The secret of SAS's success is its people. And it is the people

who executes and drives the continued excellence that SAS enjoys. Using McKinsey's 7S framework (Hassard, 1995) (Exhibit 2), an analysis on how SAS address these elements that resulted to its overall organizational effectiveness is provided below:

Strategy: The strategy refers to the long term direction of the organization. "Invest in the Future". This encapsulates the over all strategy of SAS that is reflected to its commitment on its customers, its human resources and research and development.

Structure: The basic organizational set up in SAS follows an organic structure which feature decentralized decision making, participative management and adaptive learning. (Bass, B. M and Riggio, R. 2005) This is manifested in the M&M incident in which a staff was given free decision making in realigning saved resources for purchasing deserts which she thinks would provide incentive to employees. Participative management was also unequivocally articulated by a company officer in asserting that the institution of practices in the company is a result of when the organization listened and learned.

Systems: The procedures that govern everyday activity is summed up in Jeffrey Chambers "four strikes and your out policy" in which strict monitoring is not implemented. SAS is results oriented focusing on quality work which includes among others, the finishing of projects on time. While the company provides employees room and space for creativity and decision making in their works thereby making their work as a form of continuing education that gives them the priceless opportunity to improve themselves

or assert their personality, SAS proactively engage in coaching and management counseling as well. Employees are told of what is wrong and are given a change to improve again and again until the incompetent themselves end up firing themselves. SAS heeds Frederick Taylor's concept of scientific management which highlights, training, teaching and developing employees. (Taylor, F. 2003)

Skills: Skills pertain to the competencies of the people on the company. Such competency stems from the SAS CEO himself James Goodnight, who still spends a great portion of his time on programming hands on. In terms of recruiting needed talent, the extensive and generous family incentives offered by the company not only retains but attracts good people that's why SAS teems with prospective talents as well.

Shared Values: As reflected in its employee benefits (i. e. Onsite day care, subsidized cafeteria, Elder care assistance, concierge service, and full indemnity health insurance, etc), management shares its commitment with its employees to family, life work balance. Moreover, a fundamental value of the company is " trust" which is demonstrated for its lenient employee monitoring and participative decision making. These shared values are at the core of all other elements of the 7-S model.

Staff: Employees tend to reciprocate the trust and confidence that the company gives them. Following the Expectancy theory approach to motivation by Victor Vroom (Steers and Porter, 1991), SAS is able to maintain the link between 4 factors namely: Effort, performance, outcome

and personal needs. This theory boils down to what is expected by an employee from these factors. (Exhibit 3) Simply put, the effort of the worker is at par with his or her performance to reach a desired outcome that will compensate or meet his personal needs. Any disruption in the link to these factors that causes it to break will result to a failure of expectancy.

In the perspective of the Equity theory, SAS approach is based on the fair treatment of the company on their workers as perceived by individual employees. (Steers and Porter, 1991) Fair treatment includes relatively equal amount and difficulty of work, just compensation, equal opportunity to grow and equal implementation of company policies among others. SAS do not focus on the conventional perks and privileges that distinguished executives from ordinary workers such as status symbols, private executive offices and other benefits that stratifies the working environment. Instead, the company focuses on allowing everyone to participate in discussion on business matters while importuning and invoking opinions and ideas from workers, the adoption of which will be rewarded profusely. The equity theory touches on the social aspect of the work environment because it assumes comparison of oneself with other members of the company. SAS have successfully treated their employees fairly in concrete actions, to which employee commitment and loyalty was the returned favor.

Style: Leadership is the ability to influence others and exact their resilient commitment for the achievement of an objective. (Kaplan, Norton, 2006) Leadership basically resides on the SAS CEO who focuses on empowerment. Aside from approaching motivation extrinsically through the use of rewards

and benefits, SAS approaches motivation intrinsically focusing on the higher levels of needs of a person (Karlsberg and Adler, 2001). In Maslow's hierarchy of needs, this refers to transcendence and self actualization (Exhibit 4). Employees reached this needs by having the opportunity to make important contributions to the company, achieving it and gaining recognition from it. The leadership style places utmost value to employees who are considered the most important and critical component in the organization and not just regarded as another expense account.

Improvement suggestions are vigorously encouraged and generously rewarded by the company which not only establishes a sturdy culture of continuous improvement but more importantly empowers each employee through their active participation. According to the Mr. Goodnight, " If you treat employees as if they make a difference to the company, they will make a difference to the company".

Conclusion

The principal rationale for SAS to go public will be the founders' desire to share wealth to their co workers by offering equity participation to employees. The plan to go public therefore can be pursued within the framework of its existing strategic human resource management. Going public will provide the opportunity for SAS employees to become part owners of the company. This will not only provide greater motivation on their part to work as they partake with the company's earnings but more importantly, as owners of SAS, they will learn to love more the company they already love. Thus, the opportunity that this plan will provide to the employees will

complement if not culminate the existing strategy by SAS. “ Invest in the Future – Invest in SAS”.

Exhibits:

Exhibit 1

Net Profit Margin of selected Software Companies

(Based on 1999 Income)

Company	Net Income (in million dollars)	Net profit ratio
Informix	86 M	0. 09
Oracle	1290 M	0. 14
SAS	183 M	0. 17
SPSS	16 M	0. 11
Siebel Systems	118 M	0. 14
Sybase	58 M	. 06

Table above indicates that SAS while, it only ranks 2nd in terms of net income, is more efficient in terms of profitability as it generates more income with the least cost.

Exhibit 2

Exhibit 3: Expectancy Theory

Source: [www.
buildingbrands.com](http://www.buildingbrands.com)

Exhibit 4: Maslow's hierarchy of needs

Source: <http://chiron.valdosta.edu>

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