

# The without the distraction of tasks that

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The SAS Institute (SAS) uses a creative approach to the data software business model that is unique in the industry, leading to consistent year-over-year revenue and profit growth, high employee morale, and low turnover. At the core of the SAS business model is a customer-centered ideology, in which customer concerns and product feature requests are identified and used to develop industry-leading data software systems that are sold on an annual renewal basis. By utilizing annual software license renewals with customers to generate revenue, SAS is effectively forced to “put their money where their mouth is” and continuously improve existing products or develop new products to meet the ever-changing needs of their customers.

SAS’s renewal approach, combined with an exceptional level of customer service, has resulted in a greater than 98% customer renewal rate and higher revenues over time when compared to the traditional software business model of a product sale and upgrade package (Pfeffer, 1998). To maintain this high level of customer service, SAS relies heavily on their “creative capital” (Florida & Goodnight, 2005), which not only includes their customers, but also their employees. SAS understands that their employees are critical to attaining perpetual success in executing their business model. With this in mind, SAS has developed a deep understanding of the factors that motivate employees. By offering employees diverse on-site services (such as gyms, cafeterias, etc.), work-related training, and customer outreach events, SAS directly connects with many of the employees’ sources of motivation. These services, when combined with excellent salaries, benefits, and personal career development support, allow

employees to stay focused and motivated without the distraction of tasks that are unrelated to their work. This allows SAS employees to concentrate on their customers, business strategy, and future products.

Executives at SAS institute understand that there are many factors that keep employees motivated at work, and that the focus must not be on just one or two types of motivation. In addition to employee motivations, high-level executives at SAS craft management practices that aim to amplify the competencies that have been built at the Institute over the past few decades. SAS management purposefully promotes a culture of high job performance and creativity by providing employees with a large degree of autonomy in their work. This bolsters assurance in the employees' abilities and creates an expectation that if they exert effort in their work, they will have success with their task performance. Due to this, employee behaviors tend to be consistent with management objectives and result in successful execution of their job responsibilities. These practices also lead to the strengthening of employee affective and continuance commitment, resulting in employees who enjoy working at SAS and plan to stay there for the long-run.

SAS's unique culture is grounded in employee trust, self-efficacy, and intrinsic motivation. According to SAS's Vice President of North American Sales and Marketing, importance should be placed on guiding employees along a path of improvement rather than micro-managing them to ensure job completion (need citation for case). This theme of trust is evident in all levels of the organization, from entry workers all the way up to the the highest ranked executives. This internal culture built upon trust has manifested <https://assignbuster.com/the-without-the-distraction-of-tasks-that/>

itself externally as well, as consumer trust in SAS products has led to an industry-leading 98% customer renewal rate. One of the reasons SAS's approach is so difficult to duplicate is because it largely based on a positive culture of trust that has been developed over many years. Culture change is costly, hard to imitate, and can often be misguided. It took a combined effort from top executives and individual employees to tweak and perfect this culture, but the end product is an environment where employees truly care about the company and have strong organizational commitment.

Essentially, employees have the desire to remain a member of the SAS family. This desire has led to an industry leading employee turnover rate, which "hovers between 3% and 5% compared with the industry average of nearly 20%". (Florida & Goodnight, 2005) This is important as turnover can be costly in terms of morale and a direct hit to a company's bottom line. According to a study done by the Center for American Progress, turnover cost a company an average of 21.4% of the employee's salary, but can reach as high as 213% for a higher level executive.

(Boushey & Glynn, 2012)As we have carefully shown, SAS employs a number of strategies and techniques that directly influence the organizational behavior of its workforce. The company has succeeded in building strong organizational commitment, minimizing absenteeism and other destructive behaviors, and maximized multiple forms of citizenship behavior. These factors culminate in SAS's ability to retain a highly skilled group of employees with the business capabilities and technical acumen to successfully execute their business model and grow the company every year. Very few software companies have tried to implement SAS's approach <https://assignbuster.com/the-without-the-distraction-of-tasks-that/>

because it is difficult to duplicate and they do not believe they have the time to do so. SAS's approach took decades of small decisions to get to where they are today. These decisions were carefully analyzed and calculated before being implemented. These decisions, were also heavily influenced by employee feedback.

It takes the right kind of employees to uphold the culture and continuously move it forward. However, it also takes a pattern of change for these employees to learn to trust management. There is a growing trend among software companies to use outsourcing and contractors instead of employees, disrupting the corporate culture and undermining employee trust and continuity. (find chart or article showing this) While it has been shown to be difficult to duplicate SAS's creative business approach, we believe that this approach can be imitated and used to produce similar results with patience and the right tools and resources. It is important to start with small meaningful changes, which will help gain your employees' trust. Then, employees and management can work together toward larger-scale initiatives that will have longer-term cultural benefits. We understand that it may not be financially feasible to immediately duplicate the in-house hospitals, cafeterias, or gymnasiums that SAS has instituted.

However, it is important that you begin to build camaraderie with your employees and stronger bonds with your customers. Most importantly you must begin now, as SAS's approach has shown that this process takes time. The longer you wait to begin making changes, the farther behind you will become. We are not recommending that you throw out all of your ideas and merely copy what SAS has implemented to become successful. It is our hope <https://assignbuster.com/the-without-the-distraction-of-tasks-that/>

that we can add to your approach and help you to build an innovative culture of your own.

This can be done by implementing long-term employee programs that are aimed at improving organizational commitment and by integrating customer and employee feedback consistently into your management decisions. Begin building trust amongst your employees and management by eliminating performance evaluations, micro-management, and other harmful practices. Alternatively, gather feedback from employees and customers to determine changes and improvements they would like to see. By analyzing and prioritizing this feedback, you can begin to pave a new culture of your own. As SAS's innovative approach has shown, a culture focused on people and not just profits will ultimately lead to greater success and ironically, increased profits.