International Journal of Leadership Education 1(1): 93-114.

SAS Institute

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Abstract. This case explores how and why SAS Institute has been so successful in a turbulent industry and a challenging, highly competitive business environment and what role its leader has played in that success. SAS Institute is a privately held software company based in North Carolina that experienced double digit revenue growth from 1976 when it was founded by the current CEO, Jim Goodnight, to 2000 when this case was written. What is most unique about this company, however, is a work environment and culture designed to promote contented and motivated employees by providing interesting, satisfying work in a physical setting that offers very generous perks for employees and their families, like on-site medical care, a full gym and fitness center, and childcare center plus a 35 hour work week. As a result of the CEO's vision of the kind of workplace he wanted his company to be, long before the term family-friendly was even coined, SAS has consistently broken industry records on annual employee turnover rates and has won recognition in numerous surveys on "Best Places to Work" surveys in such magazines as *Fortune, Business Week.*

Keywords: leadership, work environment, work and family, organizational culture, employee-centered, organizational strategy, family-friendly.

1. Introduction

People find it hard to believe that working at SAS Institute, Inc., a North Carolina-based software company, is for real. Jim Goodnight, the founder and chief executive officer, has carefully crafted a community of employees who seem literally to live the good life at work. From the outset, he envisioned establishing a company that would be a fun place to work, with a stimulating environment that would encourage creativity and with extensive on-site resources so people could be productive.

That description, though, could fit any number of companies. The difference at SAS Institute is that Goodnight saw – and went – much further. He decided to demonstrate in word and deed that his company truly cares about its employees. His guiding standard for decisionmaking is how he himself would like to be treated.

> In a quiet corner of North Carolina, there's a place that contradicts most of the assumptions of modern business. In an era of relentless pressure, this place is an oasis of calm. In an age of frantic competition, this place is

1. This research was funded in part by a Sloan Foundation Grant #B1999-76.

> methodical and clearheaded. In a world of free agency, signing bonuses, and stock options, this is a place where loyalty matters more than money.
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> This kingdom, a secluded realm west of Raleigh, is home to an all-but-unknown group of software wizards whose output touches every aspect of life – from what medicines get developed to who gets a mortgage. Although this company is thoroughly modern, … there is something fairy-tale-like about the place. The inhabitants are happy, productive, well rounded – in short, content in a way that's almost unheard-of today. They are loyal to the kingdom and to its king, who in turn is the model of a benevolent leader. The king – almost unbelievably – goes by the name Goodnight.
>
> *Fast Company*, January 1999

Jim Goodnight emphasizes that, in his view, what he has done at SAS Institute isn't rocket science. He often expresses amusement at how much attention and raised eyebrows he gets for something that to him is just "common sense." He does not characterize SAS Institute as a family-friendly employer, and that's not what he set out to create. He wants people to enjoy being at work, and most of what he does is derived from that simple philosophy. A company fact sheet explains this "employee-friendly" approach:

> Employee-friendly benefits reflect Dr. James Goodnight's philosophy at SAS Institute: "If you treat employees as if they make a difference to the company, they *will* make a difference to the company." SAS Institute's founders set out to create the kind of workplace where employees would enjoy spending time. And even though the workforce continues to grow year after year, it's still the kind of place where people enjoy working.
>
> Excerpt from the SAS "Employee-Friendly Benefits Summary"

That's the reason SAS Institute provided childcare in the basement of its first building: one of the few early employees needed it, and the absence of worrying that came with that childcare was key to making sure that employee enjoyed being at work. Messages like this email message to Jim Goodnight are common:

> I started three weeks ago in the Publications Department … I never imagined that I would have a job where I look forward to coming to work in the morning and forget to check the clock in the afternoon to see when it is time to leave. I work with a charismatic manager and my team is full of creative and hardworking individuals who have done their utmost to make me feel welcome. As a Liberal Arts Manager (from UNC even), I didn't envision a software company as the "ultimate job" but then I guess I didn't know enough about SAS. You have a wonderful company and I am thrilled to be here. Thank you.
>
> SAS Institute Employee

But is SAS Institute successful as a business?

2. The Company and Its Products

Founded in 1976, SAS Institute is an international leader in data warehousing and decision support software. Some 3,400 employees work at the company's headquarters on the 200-acre campus in Cary, North Carolina. There are another 1,900 employees scattered at offices throughout the world. Sales in 1998 were $870 million – double its revenue only six years earlier. In 1999, they exceeded $1 billion. SAS Institute is the world's largest privately held software company.

The company boasts some remarkable financial numbers: 1997 was the twenty-second consecutive year of double-digit revenue growth. With 31,000 customers in 120 countries, SAS Institute counts all but two of the largest U.S. companies as users of its products.

> The Institute's core product, base SAS software, was originally developed to analyze agricultural data on IBM mainframes at North Carolina State University. Over the years, the SAS system became a complete information delivery system, including more than 25 fully integrated modular applications that allow an organization complete control over its data – from data access, to data management, to data analysis, and presentation.
>
> Excerpt from "SAS Fact Sheet"

SAS Institute does business differently than most software companies. Rather than sell its software, SAS leases to its customers – a strategy of immense importance in understanding the company's relationship to its users. The fact that leases must be renewable annually creates a tremendous emphasis on customer satisfaction and quality. As SAS Institute sees it, the leasing strategy "helps keep the company sharp" by ensuring that technological advances are driven solely by customer needs.

> Our leasing strategy has been a critical piece of the company's success. It keeps us on our toes and forces us to be tied in very closely to our customers. That's not always the case in the software business.
>
> SAS Institute manager

A key is ongoing research and development. SAS Institute reinvests more than 30 percent of revenue in R&D.

> We really focus on what the customer wants, and then we have the resources to invest in delivering it.
>
> SAS Institute employee

This attention to the customer has paid off: nearly 90 percent of SAS Institute customers renew their annual leases, and 70 percent of these, on average, increase their business.

3. How It All Began

SAS Institute puts an enormous effort into keeping on the cutting-edge of technology. The company also puts an enormous amount into creating and sustaining its remarkable work environment (see Exhibit 1 for a company fact sheet on the SAS "employee-friendly history"). How did it all begin?

A colleague shares a story about Jim Goodnight's work experience before founding SAS Institute. It seems Goodnight worked briefly at NASA. What he found there was an environment in which people did not communicate. Any effort to build trust was absent: NASA used timecards to make sure that employees worked their full allotment of hours, and there were metal detectors to ensure that employees weren't stealing.

That wasn't all. At NASA, executives were supposed to be seen as "different" from the rest of the workers. There were special executive parking areas. Executives had their own break and dining area, with free, "good" coffee. Everyone else had to dump a quarter into a vending machine if they wanted coffee or a soft drink.

Goodnight decided that when he started his own company, he would create a very different environment.

The primary goal has been to create a workplace in which employees can produce great results because they are working in a fun, stimulating, and resource-rich environment. More than a focus on employee *productivity*, however, SAS Institute's focus is on employee *effectiveness*. Goodnight's motivation is business-related, but he – and company spokespeople – always make it clear that SAS Institute is what it is because of Goodnight's views on how people should be treated.

Jim Goodnight is perceived throughout the company as a "regular" guy, a down-to-earth man with a strong value system and incredible technical gifts. He is not seen as a stereotypical CEO, and appears to value being seen as different. The director of communications tells a story of Goodnight agreeing to be interviewed for a story in *GQ* on "three CEOs you don't know but should." The photographer wanted a picture of each CEO next to his car. Goodnight thought it was odd that they'd want a picture of him by his car, a Ford station wagon. When the communications director explained that the other CEOs might be driving something a bit fancier, Goodnight's response was to wonder aloud how those people cart their junk to the dump.

Business Week data from 1997 indicate that 79 percent of SAS respondents listed the highest choice – "a great deal" – when asked: "Do the leaders of your company support work-family programs?" Only 38 percent of respondents from all the companies totaled together listed the highest choice.

4. Differentiating from the Silicon Valley

It is only over the past two years that SAS Institute has become much more in tune with the public relations value of touting its unique work environment, and has begun to take steps to get on various business magazine lists of family-friendly companies. The importance, according to the company, goes beyond the corporate image with customers: it is a key factor in recruitment and SAS Institute's retention of employees. SAS has created an environment that seeks to bypass many of the problems faced by its rival firms in California's Silicon Valley and elsewhere, where "churn and burn" is the order of the day.

> The Valley has its own proprietary ways of burning and churning its soldiers. Sure, burnout plagues almost every corner of corporate America. In fact, it's so bad on Wall Street that the New York Stock Exchange recently installed defibrillators on the Exchange floor to revive brokers suffering heart attacks. But Silicon Valley's maniacal, anything-goes, startup-driven pace creates a weird bubble of a world. …
>
> In a Valley where kids out of Stanford University are racing to become millionaires by age 30, where years of work can be wiped out if a competitor beats you to market, no one has formally studied the burnout rate among driven Silicon Valleyites. Yet the Valley way of life and work is the clinical definition of stress: extreme unpredictability with little control.
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> *Upside*, July 1998

In the spring of 1998, William M. Mercer, Incorporated – one of the leading U.S. human resources consulting organizations – released a report based on a survey it conducted under co-sponsorship with the Pittsburgh High Technology Council, an employers' group. The Mercer survey offered respondents ten reasons from which to select as the "most significant reasons for turnover" at their companies. Participants cited the following:

1. aggressive hiring practices of competitors (cited by 54% of participants)

2. dissatisfaction with income (49%)

3. dissatisfaction with career opportunities (46%).

Other often-indicated reasons for turnover include dissatisfaction with management practices (41%), employees' dissatisfaction with their type of

> work or projects (34%), and a feeling that the organization lacks direction (22%).
>
> *PR Newswire*, May 20, 1998

In the software industry, employee turnover averages as much as 20 percent and some firms face even higher turnover rates. Many have taken to all sorts of incentives to keep employees at their jobs.

> At a time when annual turnover in some information technology shops is as high as 30% and filling empty positions can cost anywhere from two to five times' an employee's salary, IT managers are discovering that it takes more than just a paycheck to keep their people happy, according to Brian Anderson, vice president and general manager of the San Francisco office of Personnel Decisions International, a global management and human resources consulting firm in Minneapolis. IT managers are also finding that offering a buffet of "softer" benefits – anything from on-the-job training to days off to elegant dinners – builds loyalty, makes work more enjoyable and nudges employees to think twice about sending off a resume when a headhunter calls.
>
> *Computerworld*, June 28, 1999

SAS Institute's unique work environment and family-friendly programs contribute to the company's astonishingly low 4 percent turnover rate.

> A typical software company of SAS's size loses 1,000 employees per year. At SAS, the number lost is about 130 – which translates into almost 900 employees per year whom SAS doesn't have to replace. The result: a huge reduction in expenses for recruiting candidates, for flying them in for interviews, and for moving new hires across the country, as well as a reduction in the amount of work time lost while jobs remain unfilled.
>
> Two independent consulting companies – Hewitt Associates and the Saratoga Institute – have estimated that the cost of replacing a worker runs between 1 and 2.5 times the salary of the open job. The more sophisticated the job, the higher the cost. So, given a factor of 1.5 (which is conservative) and an average SAS salary of $50,000, the company arguably saves $67.5 million a year, compared with what its competitors shell out. That comes to an extra $12,500 per year per employee that SAS can spend on benefits.
>
> *Fast Company*, January 1999

The company estimates its low turnover rate translates into some $60 to $62 million in savings.

Asked whether it's important to be on the lists, Goodnight responds: "Well, I'd rather be on them than not, but I'd rather be reading about how great our products are." It is a sentiment that rings true in light of how Goodnight acts, and it's backed up by what the head of corporate communications remembers: "In the early days, we were almost reclusive about touting who we were or what we did for employees. We wanted to be recognized for our products. It took us a long time to convince Jim Goodnight that we should be talking about this other stuff."

5. The Work Environment

Several overarching features of the work environment at SAS Institute make the company unique. Coupled with the "perks" – often quite unusual – that employees enjoy, these features help define the special SAS culture. (Exhibit 2 presents a summary of "employee-friendly" benefits at SAS.)

First and foremost is that the company's values are *employee-centered*. SAS Institute seeks to send a strong message to all employees that the company truly cares about every man and woman on its payroll, as individuals. Some of that caring is manifested in tangible things, from the on-site healthcare facility to the piano player in the company cafeteria (or café, as it is called in SAS Institute literature), who helps ease the frenetic pace one so often finds at lunchtime in other companies. It can be found in the financial planning courses that the company offers to all who work at SAS Institute. And it can be found in the discounts on residential property in the headquarters town of Cary – Goodnight invests in real estate, completely apart from SAS Institute, and offers 10 percent off undeveloped lots where he has an interest.

One example of employee-centeredness can be found in the fact that each employee has his or her own office. There are *no* cubicles. While SAS Institute describes this as a way to maximize productivity, it also fits in with the operating principle for Jim Goodnight: that's how he would like it were he "just" an employee.

Another significant feature of the work environment is *employee interdependence*. SAS Institute has structures in place to encourage – and even demand – teamwork. Employees will tell you that it's easy to get help when needed. Seeking out help when needed is critical to success within the organization. One senior executive describes what it takes to fit in at the company.

> You need to care about a sense of contribution, you need to value humility over individual recognition, and you must want to work in an environment of total interdependence. If you need a lot of ego or tangible compensation, this is not the place for you.
>
> Jeff Chambers, SAS Institute Director of Human Resources

The SAS Institute reward system encourages interdependence. For instance, everyone in the sales organization gets a bonus, depending on performance relative to other members of the salesforce but relative to target.

> There's really not much competition within sales. We're not competing with each other, but competing with our own target.
>
> SAS Institute Employee

> I could definitely make a lot more money elsewhere, but I wouldn't have nearly as much fun.
>
> SAS Institute Sales Professional

SAS Institute encourages a genuine *spirit of risk-taking*. Many employees comment on their ability to take risks, and most everyone agrees that it really is okay to fail. As one employee in technical support says, "We can try anything within reason here."

To be sure, there is some downside to this encouragement of risk-taking. Some employees perceive that competition is deliberately established between work groups as a way to create new ideas. They criticize this approach for wasting resources and setting up unnecessary competition. But this sentiment is clearly a minority one.

Another feature of the environment is *challenging work*. The key reason people come to SAS Institute is for the work – and it's why they stay.

> Motivation is not a problem here. Everyone has a strong desire to excel.
>
> SAS Institute Employee

That the SAS Institute work environment is *resource-rich* also contributes to the unique culture. Employees are given what they need to do their jobs. Everyone you talk to mentions this.

> If you need something here to get your job done well, you'll get it without a big hassle.
>
> SAS Institute Employee

> You're given the freedom, the flexibility, and the resources to do your job. Because you're treated well, you treat the company well.
>
> *Fast Company*, January 1999 (quote from employee)

The *physical surroundings* and *facilities* make a big difference at SAS Institute. Lots of companies have campuses, but the amenities at the SAS campus are legion. There's a gym, healthcare center, and childcare center. Every floor in every building has one or more "break rooms" stocked with coffee, tea, cold drinks, cookies, crackers, and other refreshments. Each

Wednesday, the break rooms are stocked with large canisters filled with M&M candies – a perk lots of employees mention, half-jokingly, as their favorite thing about working at SAS Institute.

All of the benefits and perks are available to all employees, and everyone on campus is a SAS Institute employee: software engineers, salespeople, childcare workers, groundskeepers, and so on. Goodnight believes strongly that people are much more committed if they are part of the company. All employees have the same exact bonus plan potential (of course, higher-paid people are paid out at a higher rate).

There are no designated parking spaces and no executive dining room. Goodnight and other senior executives eat lunch regularly in one of the two company cafeterias.

One particularly notable thing about the SAS Institute work environment is that the company sees little need to produce specific documents about the culture precisely because it is so pervasive. While there are a few, though brief, descriptive pieces about the company in which the SAS Institute philosophy is clearly articulated, and the philosophy does feature prominently in some of the company's customer-focused material, there's a sense that the culture is so strong that it doesn't need to be neatly summarized and put on a plaque.

> SAS is just a very pleasant place to be. You don't see plaques on the wall telling us that because it doesn't need to be said. The niceness surrounds you and, while a lot of it is visible, there are subtle things done that are important, too.
>
> SAS Institute Employee

6. Maintaining The Work Environment

Ask employees who or what is responsible for the work environment at SAS Institute, and everyone agrees that Goodnight created the culture and still has a huge effect on how it has evolved over time. Despite that he is no longer directly involved with most decisions related to the SAS Institute work culture, Goodnight's original vision has spawned a self-perpetuating culture, and "new" decisionmakers now share his vision – which governs the variety of philosophies, strategies, and practices adopted by the company over twenty-three years. Four practices stand out.

*"Hire hard" recruitment philosophy***.** Many people inside SAS Institute attribute the longevity of the company's culture to the heavy emphasis placed on recruiting. It is very tough to get hired: there's a strong emphasis not only on technical skills but also on attitude. One often hears SAS Institute people explain that "we hire hard and manage easy," meaning that folks have a lot of autonomy in their jobs. (Exhibit 3 summarizes the extensive hiring process.)

In 1999, SAS had about 20,000 applicants for roughly 200 posted open positions.

35-hour workweek. SAS Institute's written policy is that the standard workweek is thirty-five hours.

> It used to be that we had to work much longer hours to get the work that needed to be done completed. With all the advances in technology, we don't need to spend so much time at work.
>
> Jim Goodnight

While most employees don't actually work thirty-five hours on a regular basis, people talk about how the choice is there – and that such a choice makes all the difference. Among those who choose to work longer hours, there's a strong sense that they do so by choice and out of a love for their work, as opposed to a lack of productivity or because of unreasonable workloads. According to the 1997 *Business Week* data, 66 percent of SAS Institute respondents strongly disagreed with the question: "Are you expected to work long hours no matter what it means for your personal or family life." This compares with 29 percent of all respondents.

Employee and manager surveys. SAS Institute relies heavily on employee input through its annual employee satisfaction survey. Most of the questions seek to gauge the overall work environment at SAS Institute, and only a few are work-life specific. Results of the survey are posted for several weeks on the company's intranet, and each year key areas are identified for improvement.

In 1996, SAS Institute introduced its first management feedback survey, through which all managers are rated by their direct reports. The results, which are widely discussed within the company, are also posted on the SAS Institute intranet. Top-rated managers receive individual recognition.

Compensation system. So many benefits set SAS Institute apart from its competitors. When it comes to pay, though, SAS employees get the average (or in some cases below the average) for the software industry. In addition, unlike at most other software companies, there are no stock options. Every SAS Institute employee does participate in profit sharing and is eligible for a bonus, and the company has paid a bonus each year since its founding. Each manager is given a pool of bonus money to divide as he or she chooses.

Goodnight's view has always been that SAS Institute doesn't have to offer high salaries to get people either to come or stay, given everything else the company provides to its employees. He has always wanted people to come to work at SAS Institute for the work itself, and stay with the company for the work. In the SAS Institute view, money should not be the key motivator. People that care primarily about the money can easily be bought, the reasoning goes.

Money is not talked about, though. The company's compensation system is a somewhat taboo subject among SAS Institute employees. Salary levels are not posted within the company, so an employee looking to move within SAS Institute has no access to pay information. Just as he doesn't want new hires coming for the money, Goodnight doesn't want people moving around the company just for pay.

7. The Role of The Leader

SAS Institute is a very flat organization: there are, in essence, only four layers between the bottom and Jim Goodnight. This means that Goodnight has a large number of direct reports.

The SAS Institute work environment was clearly initiated by Jim Goodnight himself. He is the principal driver, though several of his direct reports play key roles. Executives at SAS promote the culture through example.

For example, the vice president of commercial sales has two children in the SAS Institute daycare center. After heavy travel periods it's not uncommon for her to announce to her staff that she won't be in for a few days so she can spend some time with her kids. And John Sall, the company's number-two executive and only other owner, is very visible on campus as a man whose work behavior promotes the company's philosophy.

While most of the major features of the culture were initiated and led from the top, programmatic ideas typically come from the grassroots level. SAS Institute's work-life manager explains that new ideas bubble up through the organization. If they're specific ideas for employee services, she has a lot of autonomy for being creative and adding things to SAS Institute's offerings. More substantial policy change issues go through the human resources vice president and potentially get the thumbs up or down from Goodnight.

So very much of the SAS Institute culture is the product of the CEO himself, and it is instructive to consider Jim Goodnight's leadership style – which is a bit of an anomaly.

Goodnight is viewed as a "silent leader," one who gives the people below a lot of autonomy. At the same time, his is a very strong presence within the company, and most major decisions bubble up to him – as well as many smaller ones.

Is he too controlling? He appears to be very much on top of all the details of the organization, and chooses at times to be come involved in issues that one would not typically imagine catching the attention of a CEO. Conversely, he appears to give his direct reports a clear direction of where SAS Institute is going on the product/technology front, and then let's them run their own areas. Direct reports often go two or three weeks with no interaction with Goodnight.

Meanwhile, the CEO spends almost 50 percent of his time programming, so he's very involved with the product line on a daily basis. This passion for the technological side of the business is very clear to employees.

> Dr. Goodnight spends a lot of his time programming, which is very cool.
>
> SAS Institute employee

Asked how he can afford to spend so much time on programming, and told that most other CEOs wouldn't do the same, he responds: "I don't know what they do all day. Probably poking their noses in where it doesn't belong."

Goodnight appears to be a leader who gathers the input of his direct reports, but not in a typical team fashion.

> Recently, SAS was considering a substantial investment opportunity. Jim asked many of his direct reports for their input, and he listens well. He's not looking for consensus, though. He takes it all in and then makes a decision fairly quickly. In this case, he decided not to go with it.
>
> SAS Institute Manager

Also, his direct reports rarely come together to meet as a team.

> I hate meetings. I think most of them are a waste of time.
>
> I'm the boss that doesn't like to manage much. I like to do start-up stuff and then move on to something else. I like the creative side of things.
>
> Jim Goodnight

> I wouldn't say this to Jim because he would die, but this is a meeting-oriented culture. We probably could use more meetings of the department heads, but that's not Jim's management style.
>
> SAS Institute Senior Manager

Goodnight's business for growing the business is to look out over only a short two- to three-year horizon, given how rapidly technology changes. He assesses developing technologies, invests in some heavily, and give people the latitude to make them work.

> Jim's approach is to place some bets on multiple technologies in the hopes that one will prove right. Since he started the company, his vision has been incredibly accurate.
>
> SAS Institute R&DManager

All the evidence points to the fact that SAS Institute is doing things right. The company continues to grow, and employees are thrilled to have their jobs. SAS Institute has made the top of most of the lists various business magazines publish about the "best places to work." In both years of the *Fortune* "Best Places to Work" survey, SAS Institute finished third. In the 1997 *Business Week* survey, SAS Institute ranked fourth within its comparison group overall, and at the very top of the list if you take only employee opinion into account (that is, rather than including the employer survey on programs and policies). And SAS Institute has been on the *Working Mother* "Best 100" list ten times since 1989, and has been recognized as a "Top 10" company six of those times.

Of course, the entire SAS Institute story does leave a lingering question: could a similar "utopia" be created at a company that has to answer to shareholders?

Exhibit 1: SAS Institute Fact Sheet – “Employee-Friendly History”

SAS Institute, Inc. has a solid record of providing an employee friendly work environment since the company was founded in 1976. The programs have grown in depth and breadth throughout the company’s history, and the Institute continues to explore ways in which SAS Institute can best meet the needs of employees.

1. 23 consecutive years – profit sharing plan

2. 23 consecutive years – discretionary bonus for employees in December

3. 23 consecutive years – 35-hour work week and flexible work schedule. Employees who are parents particularly enjoy this benefit because it allows them to participate in special events at their children’s schools. Some parents choose to arrange their work schedule to that they are able to meet their children at the school bus stop every afternoon and be a part of after-school activities.

4. 23 years – work-friendly perks, including Friday breakfast goodies; Wednesday M&Ms; fresh fruit on Mondays; generous break rooms stocked with soft drinks, juices, coffee, tea, crackers and peanut butter; winter company-wide party; spring family picnic; family Halloween party; and numerous family activities throughout the year.

5. 19 years – company-sponsored on-site childcare staffed by employees. Two centers serve the needs of 328 children ages 6 weeks to 5 years of age. When the new Bright Horizons Child Care Center opened in April 1996, the total number of children rose to 500. Qualified employees at regional offices receive subsidized childcare at a comparable center near their locations.

6. 14 years – self-funded on-site healthcare center staffed with family nurse practitioners (two full-time physicians joined the staff in 1995)

7. 15 years – on-site recreation and fitness center

8. 15 years – wellness program

9. 14 years – company subsidized on-site café

10. 14 years – self-funded indemnity plan with low deductible

11. 10 years – additional paid week off between Christmas and New Year's Day

12. 9 years – Employee Assistance Program

13. 7 years – Work-Life Initiatives Department

14. 6 years – eldercare program, Generation to Generation

Exhibit 2: SAS Institute Fact Sheet – "Employee-Friendly Benefits Summary" (excerpts)

The Institute provides a generous benefit package to all U.S. employees, which includes:

- Paid sick leave
- Two weeks paid vacation for all employees, with an additional week for employees who have been with the company five years or more
- Paid holidays (with an additional paid week off between Christmas and New Year's Day)
- Fully paid health insurance (also available for dependents and domestic partners)
- Profit-sharing retirement plan
- Paid education and training expenses

All U.S. employees also get to take advantage of these other employee-friendly benefits:

- On-site healthcare center (no cost to employees and their covered dependents)
- On-site recreation and fitness center (no cost to employees, family, domestic partners)
- Extensive wellness program
- On-site childcare
- Company subsidized café – award-winning gourmet cuisine and a piano player to help create a relaxed atmosphere; breakfast and lunch available
- Elder Care program
- Flexible work environment and 35-hour workweek
- Annual bonuses

- Other fun perks include free fresh fruit every Monday; M&Ms on Wednesday, and breakfast goodies every Friday; break rooms stocked with complimentary soft drinks, juices, crackers, coffee, and tea, as well as first aid supplies; and employee events and celebrations, including the annual Family Picnic, the elegant Winter Party, and end-of-the-month parties.

The Institute's employee-friendly philosophies are not limited to headquarters and other United States offices. Because the needs of employees in other countries vary greatly depending on that country's culture, each office tailors its benefits to best suit the needs of those employees.

- In Heidelberg, Germany, European headquarters, public transportation is the norm for all citizens, and is a significant expense for commuters. The Institute pays 100 percent of the public transportation costs for all employees in that office.

- In the Madrid, Spain, office, SAS Institute presents a birthday gift to each employee, provides lunch tickets redeemable at area restaurants, and funds an inter-company football competition.

Exhibit 3: SAS Interview and Hiring Process

1. Posting of position

2. Applications accepted (immediately; this “open period is typically open for two weeks)

3. Position closes.

4. During and after the “open period,” Human Resources sifts through applications and provides the hiring manager with qualified applicants to the hiring manager. This process lasts for roughly ten days. Qualified applicants must demonstrate certain “skills” requirements via the application.

5. Over approximately one week, the hiring manager conducts phone interviews with applicants to determine who should be brought in for a face-to-face interview.

6. Human Resource schedules “First Round” interviews immediately upon receipt of the hiring manager’s candidate list.

7. The hiring manager interviews candidates. These interviews typically also involve members of the work team, as well as people outside the specific reporting group who will work with the person in the position. Second and third interviews, along with skills assessment testing, are not uncommon.

8. The hiring manager selects a candidate and Human Resources offers the position.

9. The candidate begins working for SAS either on the 1st or 16th of the month.

The candidate is interviewed to discuss required skill sets, but also to look for personal and cultural fit within the company. SAS looks to match “attitudes” related to teamwork and work/life balance. Specifically, the company looks for people who value camaraderie, who enjoy being part of a winning *team* more than being recognized as an individual star, and who understand the holistic personal benefits of working within a company that has a philosophy of “work/life” balance. While SAS does not believe the company can *teach* attitude and life philosophy, it does teach and enhance professional skills related to these areas through professional training programs.

SAS Institute

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Teaching Note

1. Synopsis and Overview

SAS Institute, the world's largest privately held software company, has received considerable media attention in recent years for the "utopian" environment for which it has become known. The company's physical surroundings have been described as country club-like, and include two childcare centers, a fully staffed health center, private offices for everyone, state-of-the-art athletic facilities, and a host of unique amenities. The company offers employees unlimited sick days and a 35-hour workweek.

SAS Institute also stands out with respect to what it doesn't offer. There is no executive dining room. There are no reserved parking spaces and no coveted offices for executives. And unlike most of the software industry, there are no stock options and pay is average. Employee turnover is far below the industry norm.

From the inception, Jim Goodnight – SAS Institute's founder and CEO (who owns two-thirds of the company) – set out to create a particular kind of work environment. It has been sustained over time. Goodnight is the key driver behind the company culture – a man with a value system and philosophy that are central to what SAS Institute is today.

Several elements describe the SAS Institute culture: employee-centered values, employee interdependence, a spirit of risk-taking and freedom, challenging work, richness of resources, and the company's physical surroundings.

The SAS Institute case can be used to demonstrate several basic lessons:

1. Senior leaders play a critical role in effecting positive work/life-related change.

2. There is an important connection between specific work/family-related benefits and the actual work environment within which these are offered.

3. In the software industry, the ability to enrich oneself financially may not be all that matters to employees – contrary to the conventional wisdom.

2. Suggested Study Questions

- What characteristics make SAS Institute unique?
- Which of these characteristics are fundamental to creating the SAS Institute culture? Which contribute, but to a lesser degree?
- Do some characteristics matter more to certain individuals or groups of employees? Matter less?
- What is the connection between specific work/family-related benefits and the actual work environment within which these are offered?
- What do the “perks” SAS Institute offers employees say to potential recruits?
- How important are the “funkier” perks, such as the piano player in the cafeteria or the weekly delivery of M&Ms?

While it’s easy to highlight some of the mainstream work/family benefits at SAS Institute (such as subsidized, on-site childcare and the 35-hour workweek), these would mean little were they not part of a work environment that promotes interdependence, is a fun place to be, offers stimulating work, provides employees with the resources they need to get their job done well, and places a significant emphasis on attitude when hiring.

- Are there “types” of employees who would not fit within the SAS Institute culture? Which types?
- How important is this? What does it mean given SAS Institute’s industry and the market conditions for software?
- What do you think about the 35-hour workweek?
- How real is it?

While not everyone works a 35-hour week, SAS Institute employees do seem to spend a lot less time at work than do their counterparts in other companies. Even more important is the issue of choice: while employees may not work 35-hour weeks on a regular basis, the fact that they can when they want or need to is important.

- How would you assess Jim Goodnight's leadership style?

- To what extent is Goodnight the "keeper of the culture"?

- Can the SAS Institute culture be maintained after Goodnight retires?

A huge piece of SAS Institute's success as a premier employer is attributable to the deeply held values of its founder and CEO, Jim Goodnight. Most employees at present believe that the culture is so strong that it would survive a change in leadership.

There is a lot of room for disagreement among students on this point. But as a privately held company, Goodnight does hold the succession decision. Is seems likely that he will select a successor not only for her or his business leadership ability but also for shared values.

Nonetheless, the power of having a leader with very clear values around the importance of family and that work should be fun, combined with the respect that he receives throughout the company for his technical competence and vision, cannot be overstated.

- What are the implications of the flat management structure at SAS Institute?

- What are the implications of the way in which Goodnight's direct reports operate?

The obvious advantage of the flat structure is that employees do not feel far removed from the top of the company, which would appear to help instill the company values. Conversely, there may not be sufficient opportunities for upward movement.

There appears to be a disconnect between the company's emphasis on teamwork and the apparent lack of "teamness" among Goodnight's direct reports.

- Is SAS Institute's strong financial performance the reason the company offers what it does to employees, or is it the opposite: do the programs and the environment contribute to the company's success? If so, how?

- Are there issues important to employees where SAS Institute could improve?

The compensation system may need improvement. There is a lack of communication around compensation. The company de-emphasizes compensation purposely: SAS Institute does not want people moving around or coming to the company just to make a lot of money.

- Consider three principles for affecting positive work/life change: clarifying what's important; recognizing and supporting the "whole person"; continually experimenting with the way work is done. How does SAS Institute demonstrate that it embraces these principles?

- How replicable is the SAS Institute success story?

- How and what can other companies learn from SAS Institute?

Many observers of SAS Institute claim that it's difficult to replicate SAS's work/life-related success, given that the company is privately held, is led by a man with values that seem quite different from those of most other CEOs, and has very high margins that make the environment affordable. But there may be common-sense decisions that the company has made that transcend these conditions and thus make the SAS Institute example more widely applicable.