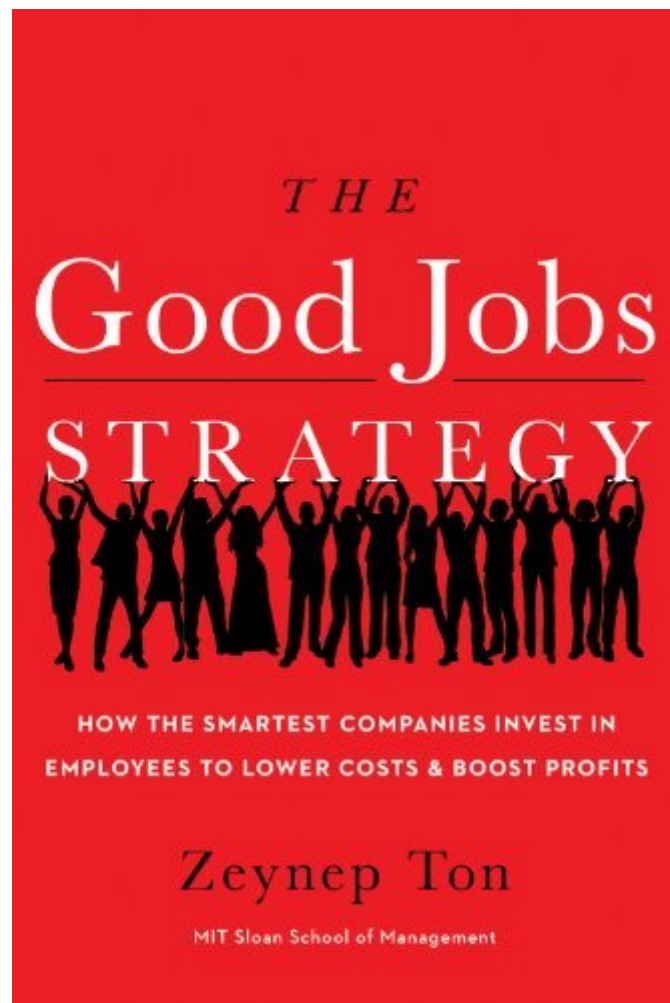


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# The Good Jobs Strategy: How The Smartest Companies Invest In Employees To Lower Costs And Boost Profits



## Synopsis

Almost one in four American working adults has a job that pays less than a living wage.

Conventional wisdom says that's how the world has to work. Bad jobs with low wages, minimal benefits, little training, and chaotic schedules are the only way companies can keep costs down and prices low. If companies were to offer better jobs, customers would have to pay more or companies would have to make less. But in *The Good Jobs Strategy*, Zeynep Ton, a professor at the MIT Sloan School of Management, makes the compelling case that even in low-cost settings, leaving employees behind "with bad jobs" is a choice, not a necessity. Drawing on more than a decade of research, Ton shows how operational excellence enables companies to offer the lowest prices to customers while ensuring good jobs for their employees and superior results for their investors. Ton describes the elements of the good jobs strategy in a variety of successful companies around the world, including Southwest Airlines, UPS, Toyota, Zappos, and In-N-Out Burger. She focuses on four model retailers—Costco, Merca-dona, Trader Joe's, and QuikTrip—to demonstrate the good jobs strategy at work and reveals four choices that have transformed these companies' high investment in workers into lower costs, higher profits, and greater customer satisfaction. Full of surprising, counterintuitive insights, the book answers questions such as: How can offering fewer products increase customer satisfaction? Why would having more employees than you need reduce costs and boost profits? How can companies simultaneously standardize work and empower employees? *The Good Jobs Strategy* outlines an invaluable blueprint for any organization that wants to pursue a sustainable competitive strategy in which everyone—employees, customers, and investors—wins.

## Book Information

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## Customer Reviews

Many years ago, Southwest Airlines' then chairman and CEO, Herb Keller, was asked to explain why Southwest is the most profitable of the ten largest airlines and has a cap value greater than the other nine airlines combined. He replied, "We take great care of our people, they take great care of our customers, and our customers take great care of our shareholders." I was reminded of that statement as I began to read this book. Although Zeynep Ton focuses much of her attention on four companies (Costco, Mercadona, QuikTrip, and Trader Vic's), she explains how others such as Southwest and Zara have also used a good jobs strategy to achieve and then sustain high profitability while continuing to be ranked each year among companies that are the most highly admired and the next to work for. According to Ton, more than ten years research leaves no doubt about this reality: "Great performance, whether in customer service or the quality of manufacturing, requires operational excellence. Operational excellence requires a great operational design [begin italics] and [end italics] great people to carry it out. Neither can make up for the lack of the other." However different companies in service industries may be in most respects, Ton has identified what those among them that have a good jobs strategy share in common. She calls it the "Virtuous Cycle of Retailing" which has four interdependent, mutually supportive components: High Labor Budgets > Good Quality and Quantity of Labor > Good Operational Execution > High Store Sales and Profits > High Labor Budgets > etc.

This book is very timely in light of how the American jobs market has evolved over the past twenty or so years. As manufacturing jobs became a smaller and smaller part of total employment, retail jobs grew to become a dominant sector. Unfortunately, jobs in the retail sector generally pay well below those in manufacturing. Competition among retailers exerts constant pressure to reduce costs to remain price competitive. Traditionally, to meet cost cutting goals, retailers relied on lower labor costs by suppressing wages or reducing hours worked. In either case, the author argues the consumer though rewarded with lower costs in the short term, will find deteriorating operations when

retailers rely on this approach that eventually lead to unsatisfactory customer service. Inefficiencies such as phantom "stock outs," inventory that remains shelved or misplaced will inevitably follow leading to loss of revenue through reduced sales. Poor or inefficient operations also damage customer loyalty which also engenders reduced sales. Ms. Ton suggests there is another retail strategy that is employed by "model retailers." Though counter intuitive in many ways, it has been validated as a recipe for growth, living wages for employees and steady gains for investors. The strategy employed by such household names as Costco, Quick Trip and Southwest Airlines have made these companies profitable and growing while remaining cost competitive. These companies also find it necessary to routinely cut costs to remain competitive. However, unlike traditional retailing strategies, they do not rely on reducing labor costs as the means to reduced operational costs.

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