

The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits

By Zeynep Ton

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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, Mercadona, 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.

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Editorial Review

Review

"In the last few years, [Zeynep] Ton has become a revolutionary force in a field that would seem unlikely to generate many — the Kafkaesque-titled Operations Management. Her central thesis is that many of [the] big-box retailers have been making a strategic error… but she believes her core findings are relevant in nearly every industry. After re-evaluating the relationship between worker management and profit, she argues that many corporate leaders will realize that paying their workers more and treating them better will actually make everyone better off. And this, indeed, would foment a small revolution." ***—The New York Times Magazine***

"…at a time when the complexity of workers' jobs is increasing and labour force investment declining, [The Good Jobs Strategy] is a methodically researched riposte to cutting staff and wages." ***—Financial Times***

"In this brilliantly conceived and written book, Zeynep Ton shows that companies that view their workforce as an asset to be maximized rather than a cost to be minimized, have both happier workers and better business results. This book is a 'must read' for anyone that wants to think creatively about how they manage their workforce." **—Marshall Fisher, professor at The Wharton School and co-author of *The New Science of Retailing***

"Using years of research and analysis, Zeynep Ton has proven what great leaders know instinctively—an engaged, well-paid workforce that is treated with dignity and respect creates outsized returns for investors. She demonstrates that the race to the bottom in retail employment doesn't have to be the only game being played. In fact, *The Good Jobs Strategy* shows that smart business leaders can create great shareholder value while creating good jobs." **—José Alvarez, senior lecturer at Harvard Business School and former president and CEO of Stop & Shop**

"Stop the presses. Tear out the front page. Employers can increase profits by paying their employees more and treating them better. Raising wages and improving working conditions is not just a matter of public policy. The private sector itself can make a huge difference. Everyone who cares about good jobs—and especially every CEO—needs to read this highly informative and thoroughly readable book." **—Peter Edelman, professor of law at Georgetown Law Center and author of *So Rich, So Poor: Why It's So Hard to End Poverty in America***

"In *The Good Jobs Strategy*, Zeynep Ton offers insights into how successful companies utilize operational excellence to thrive, and she reminds us that the spirit and culture of an organization—that sparkle in the eye—comes only from fully engaged employees." **—Michael Eskew, former CEO of UPS**

About the Author

Zeynep Ton is an adjunct associate professor at the MIT Sloan School of Management. Previously, she was on the faculty of the Harvard Business School. Ton received numerous awards for teaching excellence at both schools. Her work has been featured widely in the media, including the Washington Post, the Atlantic, and The New Yorker, Bloomberg TV, and MSNBC. She lives in Cambridge, Massachusetts, with her husband and four children.

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Introduction

There are different ways to make money, I tell my MBA students on the first day of the class I teach on operations for service industries. You can certainly succeed at the expense of your employees by offering bad jobs—jobs that pay low wages, provide scant benefits and erratic work schedules, and are designed in a way that makes it hard for employees to perform well or find meaning and dignity in their work. You can even succeed at the expense of your customers; for example, by offering shoddy service. People may not enjoy buying from you, but plenty of them will do it anyway if you keep prices low enough.

In service industries, succeeding at the expense of employees and at the expense of customers often go together. If employees can't do their work properly, they can't provide good customer service. That's why our experiences with restaurants, airlines, hotels, hospitals, call centers, and retail stores are often disappointing, frustrating, and needlessly time-consuming.

Many people in the business world assume that bad jobs are necessary to keep costs down and prices low. But I give this approach a name—the *bad jobs strategy*—to emphasize that it is not a necessity, it is a choice.

There are companies in business today that have made a different choice, which I call the *good jobs strategy*. These companies provide jobs with decent pay, decent benefits, and stable work schedules. But more than that, these companies design jobs so that their employees can perform well and find meaning and dignity in their work. These companies—despite spending much more on labor than their competitors do in order to have a well-paid, well-trained, well-motivated workforce—enjoy great success. Some are even spending all that extra money on labor *while competing to offer the lowest prices*—and they pull it off with excellent profits and growth.

At this point in the class, I tell my students that if they end up founding or leading a business, they will be able to choose *how* that business makes money. They can choose a "low cost at any cost" approach, but they cannot say they had no other choice. And finally, I tell them that if instead they choose the good jobs strategy, they had better take a lot of operations courses—like the one they're in—because operations is what makes the good jobs strategy possible.

They laugh, but they soon discover that I am not kidding. And that is what *The Good Jobs Strategy* is about—how companies can use operations to deliver good jobs to employees, strong returns to investors, and low prices and good service to customers all at the same time.

The good jobs strategy is not just a book title, it is a concrete strategy. It combines investment in people—much more investment than normal—with a set of operational decisions related to (a) how many products and services a company will offer, (b) the balance of job standardization and employee empowerment, (c) the allocation of work among employees, and (d) staffing levels and how employees will engage in continuous improvement. I did not invent this strategy. It is not the product of academic speculation. I observed it in a group of highly successful companies. I wanted to know how these companies managed to do very well and keep their prices low without making life miserable for employees and frustrating for customers.

This book tells what I found. Chapter 1 describes what the bad jobs strategy and the good jobs strategy look like when you're working in them and highlights the possibility and benefits of pursuing the good jobs strategy even in low-cost retail. Chapter 2 explains why operations and investment in people are the key ingredients of the good jobs strategy. Chapter 3 shows how poor operations is more of an Achilles' heel than most retailers realize and is a natural result of trying too hard to control labor costs. This chapter introduces what I call the "vicious cycle of retail." In Chapter 4, we meet the four "model retailers" that are the core of this book—companies that follow the good jobs strategy, offering good jobs, low prices, and excellent customer service, and generating great financial results all at the same time. Rather than being stuck in the vicious cycle, these companies are benefiting from what I call the "virtuous cycle of retail."

Chapters 5 through 8 are the practical heart of the book. They discuss in detail the four operational choices

that make the difference for these model retailers. In addition to the benefits just listed—good jobs, low prices, good service, and strong financial performance—two further strategic benefits of the good jobs strategy are shown in Chapter 9. In Chapter 10, we look at how companies can stick with the good jobs strategy even when circumstances are pushing them hard the other way.

Although the strategy I will describe has been very successful, it is neither quick nor easy. In fact, it is complex and has to be carried out carefully, forcefully, continuously, and in the face of many obstacles. In return, it not only allows for better day-to-day and year-to-year performance, but it also allows companies to seize strategic opportunities by adapting to changing circumstances more quickly than other companies can manage.

The good jobs strategy can be seen at work in a variety of contexts, but in this book I focus on low-cost retail for three reasons. First, retail is where millions of people work. Walmart, the eight-hundred-pound gorilla of low-cost retail, is the world’s largest private employer, with more than 1.3 million employees in the United States alone. Second, low-cost retail jobs are notorious for their low pay, minimal benefits, unstable schedules, and lack of meaning and dignity—the epitome of “bad jobs” as I define the term. Third, of the people who believe that offering good jobs is possible, most do not believe it is possible to do so in such industries as low-cost retail. If the good jobs strategy is possible in low-cost retail, then it is possible pretty much anywhere.

Although the context of this book is retail, the good jobs strategy allows many other types of companies to use operations to provide good jobs for employees, high quality of goods and services at low prices for customers, and strong financial returns for investors. The examples include airlines, restaurants, hotels, call centers, distribution centers, and manufacturers.

I wrote this book for managers, executives, and entrepreneurs who want to offer good jobs but don’t think they can because controlling costs is so important to their business. You will see that offering good jobs can in fact reduce costs and increase profits as long as it is combined with operational excellence. If you want to offer good jobs and low prices at the same time, operational excellence is not optional, it is mandatory.

I also wrote this book for people who believe that offering good jobs may be good for individuals and for society, but that business decisions should be made solely to maximize profits. You will see that the companies that follow the good jobs strategy don’t do it just to be altruistic. They have found it to be the best and most sustainable way to provide superior returns to their investors in the long term.

The good jobs strategy is a long-term investment in your employees with the expectation that those well-paid, well-trained, well-motivated employees will generate even more than they cost. What makes them worth more than they cost is operational excellence. The companies examined closely in this book have all found this strategy to work. Many more companies should join them.

Users Review

From reader reviews:

Arnold Williams:

Do you have favorite book? For those who have, what is your favorite's book? Reserve is very important thing for us to find out everything in the world. Each reserve has different aim or perhaps goal; it means that guide has different type. Some people truly feel enjoy to spend their time to read a book. They are really reading whatever they take because their hobby is reading a book. Consider the person who don't like reading a book? Sometime, man or woman feel need book when they found difficult problem as well as exercise. Well, probably you will require this The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits.

Carl Guerra:

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