



Let the rest of the world fawn over the recent Google IPO or wait anxiously for the latest market reports on CNBC. That's simply not Jim Goodnight's style. As CEO of software company SAS (pronounced "sass"), Goodnight doesn't want to be forced to respond in lockstep to the price of oil or an uptick in interest rates. This attitude has led him to resist going public ever since he and partner John Sall founded the company in 1976.

Today, Goodnight and Sall remain the only private stockholders in SAS—Sall owns one-third of the company, and Goodnight, two-thirds. With no other shareholders to appease, the only numbers Goodnight needs to keep his eye on are these: the company's phenomenal 98 percent customer renewal rate, its negligible employee turnover rate of around 3 percent, and its global sales of \$1.34 billion.

SAS, headquartered in Cary, North Carolina, is the largest privately held software company in the world, and 14th largest overall. It boasts 4 million users of its data warehousing and data mining software, 10,000 employees, and a CEO who has turned customer loyalty and employee satisfaction into an art. For example, Goodnight requires that all customer suggestions for product improvements be recorded. Those suggestions are reviewed annually and placed on a survey for customers to rank. The suggestions that make the top ten usually make it into the next product upgrade.

In addition, when the recent economic slowdown moved many companies to slash jobs to increase the bottom line and pump up stock prices, SAS not only resisted layoffs—it continued to hire. While many companies are reporting decreased earnings, SAS has seen 27 straight years of revenue growth. And at a time when many companies are reducing health benefits and requiring more overtime, all SAS employees enjoy a 35-hour workweek, unlimited sick leave, free on-site health care, day care, fitness center, car detailing, and a heavily discounted country club membership.

In addition to these larger perks, they also receive free M&Ms every Wednesday, a holdover from a time when SAS was much smaller and free candy was a fun, affordable way to show employees they mattered. Now that the company has grown, it spends \$45,000 annually on 22 tons of M&Ms for its employees.

"M&Ms have become something of an icon representing SAS' corporate culture, but that was just a fun tradition we hung onto over the years," says Goodnight. "It represents a mindset we have. From the earliest days of the company, we wanted to create an environment similar to the university, where you have the freedom and flexibility to be creative." Not surprisingly, that mindset has landed SAS on FORTUNE's "100

Corporate Return Culture

It's fine for business students to know how to crunch the numbers, says SAS CEO **Jim Goodnight**. It's more important, however, that they understand IT, appreciate the value of human capital, and have plenty of good, old-fashioned common sense.

by **Tricia Bisoux**

Best Companies to Work For" seven years in a row; the company was also featured on "60 Minutes" and "The Oprah Winfrey Show" as a great place for employees.

In addition to focusing on employee well-being, Goodnight places great value on providing educational opportunities that ensure that students grow up to be comfortable with technology. He has opened Cary Academy, a technology-oriented school for middle school and high school students. SAS *inSchool* provides online resources to help teachers teach technology to their students more effectively. The company's Campus Innovation Grants Program and the SAS Academic Initiative also provide grants and other incentives to students and educators.

Goodnight believes many executives are too obsessed with short-term numbers-based management. With their eyes only on the short term, they fail to recognize and cultivate long-term opportunities such as research and development, employee and customer longevity, and education for the next generation. Creating a company where good customers never want to leave and great employees never want to quit is Goodnight's simple formula for success. And foresight, he maintains, is one of the most important skills in a business leader's repertoire—and perhaps one of the most underutilized in business today.

You were a full-time professor at your alma mater, North Carolina State University, from 1972 to 1976 before officially incorporating SAS. Why did you want to make the leap from academia into starting your own company?

While working on my graduate studies in statistics, I became involved with the project at NCSU that launched SAS. The original SAS grew out of a grant to focus on software to analyze agricultural data. From there, we started getting inquiries from insurance and pharmaceutical customers. When we got up to 110 customers, we decided to take the business off the campus and incorporate. It was very risky, but we knew that we had something special—but in no way could we predict that it would be this successful.

In SAS' first years, you kept a pretty low profile, but in recent years you've placed yourself and SAS in the spotlight through print and television interviews. As business students prepare to assume executive positions, should they also be prepared to play more public roles for companies than top executives may have played in the past?

In 1976, SAS was too small to attract much attention, and our marketing budget was relatively small. Unlike CEOs who ran the high-tech startups of the '90s, I chose to focus our dollars and effort on R&D and quality assurance instead of seeking out huge venture capital infusions to buy ad space during the Super Bowl.

But SAS has generated more interest since it crossed the \$1 billion revenue mark, and new competitive pressures have also made it clear that we need to make more noise about our company and products. As the public face of SAS, I know it's my job to be visible and available to the people who drive our business. There's no substitute for meeting with employees and customers face-to-face. And as the company's revenue and worldwide presence grow, so does my public role and so do the roles of all our executives.

There are many advantages to being a privately held company—specifically, you run the show and don't have to answer to a board! How—and why—do you resist the pressure to go public, especially when many analysts argue that a company with a growth rate such as yours can't survive forever as a privately held company?

We considered going public during the technology boom of the '90s when tech companies were so overvalued and tiny competitors were grabbing headlines in the media. We

didn't need the cash, but brand visibility was becoming an issue—not to mention that a few of our employees were lured away by stock options.

Even so, a few years ago, in one of our annual surveys of employees, 87 percent said they did not want us to go public. They've seen that during the economic downturn, we've been hiring while public companies have been laying off. We are in a strong position because, as a private company, we have the luxury of thinking long-term. We can focus on building new opportunities, rather than worrying about pleasing shareholders with quarterly earnings reports. My thinking—and the thinking of many of my publicly traded peers—is that if you don't need the money, don't go public.



Your employees receive so many benefits, the least of which is free M&Ms in the office! When—and why—did you decide to put so much emphasis on employee satisfaction and view such benefits as a means to increase, rather than cut into, company profits?

So many organizations foster environments that actually defeat their own interests. For example, halfway through my master's degree program, I decided I was ready for a new challenge. So, I took a job in Florida for a government contractor that was building the electronic communications equipment for the ground stations supporting the Apollo space program. We were crammed into tiny cubicles and had to pay for every cup of coffee. It was noisy and hard to concentrate. People can't do their best creative work in that kind of environment.

Providing benefits that reduce the day-to-day concerns and distractions of life allows employees to give their best at work. When employees see themselves as instrumental to the company and know that they are valued, they are dedicated. Happy, dedicated employees make happy customers. Happy customers are loyal customers, and that has proven to be the core of our business success.

Why do you think more companies don't make that link between employee satisfaction and increased productivity and profits?

They don't make the connection because they only see employee benefits as costs that show up on the balance sheet. At many companies, the focus is not on the employee or the customer, but on the shareholder. The outlook is not for long-term growth, but for the next quarter. In today's Wall Street-driven business environments, I think it's difficult for

many people to see how employee turnover rate or employee morale can impact a company's performance over a long period of time.

Because we put employee-oriented measures in place long ago, we have the benefit of years of experience to show that the long-term benefits far outweigh the short-term costs. Most companies don't know how to represent that kind of return in their annual reports.

It also comes back to the fact that I don't need to justify SAS' benefits to thousands of shareholders. But those who must justify their benefits should consider reporting performance management measures in addition to the black-and-white revenue and expense data. They should tell their shareholders what they're doing in areas such as employee and customer satisfaction, customer retention, and product quality and explain why those areas are important. There's more to think about than just growing profits every quarter, but most companies don't do an adequate job of communicating those other factors.

Earlier you mentioned the fact that so many public companies have had to resort to layoffs. Business students, of course, have observed these trends in the technology sector over the past few years—the outsourcing, offshoring, and downsizing of jobs—and are wondering whether IT is still a secure career choice. Are their concerns well-founded? What, if anything, would you say to reassure them that IT is a rewarding career to pursue?

For a career in technology—be it programming, sales, or marketing—students have to accept the fact that there will be downturns, just as every market has downturns. But they



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need to know that IT is constantly evolving and, more than ever, opportunities are global. Companies—particularly global ones—have to serve the needs of their customers wherever they are, which can often mean providing sales and marketing support in international markets. It also means placing R&D where the customers are and partnering with local companies to develop

products that conform to local languages and standards.

I think that more than any other profession, IT requires you to be prepared to work and think on a global, rather than regional, scale. Students who can do that will be able to weather the downturns when they come.

For your part, you’ve resisted outsourcing jobs to India and other parts of the world, but you’ve also said that this trend is an inevitable part of globalization. How do you think business schools and business students can best prepare themselves to survive and thrive in an outsourced IT economy?

I think globalization is inevitable. We’re hiring more R&D staff in India, but we’re also hiring more IT staff all around the globe. We see great potential for our software and solutions in India, China, Japan, and Korea, so an R&D presence in Asia just makes sense. We already have several R&D facilities outside the United States. I believe we’ll see a trend toward salary equalization that will eventually reduce the current trend that has companies outsourcing just to save on labor costs.

Again, the best thing business schools can do to prepare their students is to encourage them to look beyond their own backyards. Globalization has opened the world for many opportunities, and schools should encourage their students to take advantage of them.

When you look at the way business schools approach designing and delivering their IT programs, what do you see as their biggest successes and their biggest flaws?

I would like to see more focus on customer relationship

management and what specific technologies, such as marketing automation and analytical applications like data mining, can do to enable the concept.

This is an age of increasing corporate accountability, when organizations are spending millions on hardware and software solutions. People are remiss to think that top executives should not know what they are purchasing and how those technologies can enable them to outperform their competition.

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As you well know, there has been a heightened attention on corporate governance, which has caused many corporations to create codes of conduct, become more transparent, and even purchase specialized records management software to meet the standards set in place by the U.S. Sarbanes-Oxley Act of 2002. In the end, do you think Sarbanes-Oxley is a blessing or a curse to business?

Well, smart businesses will turn Sarbanes-Oxley into an opportunity to learn more and improve their business processes. It’s true that the shortened reporting deadlines and massive amounts of disparate data that the majority of organizations are faced with are daunting, but this same data can be used to gain customer intelligence, reduce fraud, and optimize partner and supplier relationships.

The corporate transparency that Sarbanes-Oxley requires will give CEOs a bigger picture of their organizations. They can then use that information to make more intelligent business decisions, reduce costs, and improve the top line.

Managing “massive amounts of data” does seem to be a mainstay of business—and it only promises to get worse. How do you think business schools should approach teaching information management to students?

Sarbanes-Oxley and other new regulations will create a new layer of overseers and paper pushers within organizations. But it will also drive integration between IT and business leaders. Regulatory compliance will require sophisticated integrated computing systems and data to give a complete view of financial performance from all areas of an organization. Business schools should develop leaders who understand not only business issues, but also the technological requirements to run the business efficiently.



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"Can you teach common sense?"


If there's a secret to SAS' success, that's it. Follow common-sense rules: Make sure revenues are greater than expenses. Keep your customers happy. Value your employees, because they are the intellectual capital of your company."

That doesn't mean that executives should be computer programmers. But just as they should have a basic understanding of accounting principles, the next generation of business execs should understand information technology concepts such as infrastructure requirements, data quality and integration, business analytics, and market channels.

The more students know about data management and analytical technologies, the better. Again, students don't have to know all the technical details, but they must understand how the technology works for business on a broad level. That understanding will empower future business leaders. Once you understand how analytics tie into risk management, and how risk management ties into customer relationship management and performance management, then you will have the intelligence you need to make the right business decisions.

As the CEO of SAS, you've been known to take on a marketing or R&D project to stay connected to company operations. Only recently, you helped develop SAS' new Anti-Money Laundering product—not the type of project a CEO usually tackles. What skills do you think business students most need to become such "hands-on" types of leaders?

Can you teach common sense? If there's a secret to SAS' success, that's it. Follow common-sense rules: Make sure revenues are greater than expenses. Keep your customers happy. Value your employees, because they are the intellectual capital of your company. If you keep these things in mind, while you may not grow your profits every quarter, you will grow your business over time.

And while it's important for any CEO to get out into the field and hear firsthand what customers are thinking and see firsthand what competitors are doing, it's equally important to stay involved in the day-to-day operations. I still play a very active role in our R&D department, because it's a great way to hear employees' concerns and ideas. Rolling up your sleeves and getting involved—that's still the best way to stay in touch with the business. 

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