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 transform the investment in people into high performance. 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.