PART

I

The Premise

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CHAPTER

1

Just the Facts

Everyone is entitled to his own opinion, but no one is entitled to his own set of facts.

—James Schlesinger

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Every year, respected business publications like *Fortune*, *INC*, and Bloomberg *BusinessWeek* rank (in seemingly endless ways) those companies that are doing the best job in their chosen industry or niche. We read about the "Most Admired" and "Most Innovative," the "Customer Service Champs," the ones generating the "Highest Shareholder Return," the "Fastest Growing," the XYZ 500, and the list goes on.

We can't help but notice that in this blizzard of rankings and ratings the same organizations seem to take home the trophies year after year—companies such as Coca-Cola, Disney, Google, Southwest Airlines, Intel, and Procter & Gamble. We certainly don't think that the frequency of their presence has anything to do with shortcuts that writers or editors of these publications take. No, there's something else at work.

Outside the corporate boardroom, but certainly no less engaged in the world of business, lies the arena of professional sports. Here, too, there is a fairly short list of perennial overachiever teams such as the Boston Celtics, New England Patriots, and Chicago Cubs.

You're still thinking about that last name, aren't you? We were just checking to see if you're awake. We can still hope for the Cubbies, though, right?

What we find among persistent winners in just about any labor-intensive endeavor is that an extremely high ratio of them also happens to have adopted leadership habits that make the organization a great place to work—not an *easy* place to work, but a very good one. Our passion has been to study many of these firms over the past three decades, and it's been our pleasure to work with a few of them up close and personal. It is truly impressive to encounter a workplace where people are hitting on all cylinders—whether your vantage point is that of an insider, a customer, or as we're about to prove yet again, a shareholder.

Since 1982, *Fortune* magazine has published an annual listing of what it calls the "Most Admired Corporations," a ranking—overall and by industry—of those organizations with the best business reputations. It is now produced in both domestic U.S. and global versions. Corporate executives, outside directors, and financial analysts judge companies according to the following criteria:

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- Product quality
- Global competitiveness
- Value as a long-term investment
- Use of corporate assets
- Financial soundness
- Innovation
- Social responsibility
- People management

The top 15 companies on the 2012 "Global Most Admired" list are Apple, Google, Amazon.com, Coca-Cola, IBM, Federal Express, Berkshire Hathaway, Starbucks, Procter & Gamble, Southwest Airlines, McDonald's, Johnson & Johnson, Disney, BMW, and General Electric.

A reasonably astute observer might suggest that this list consists of some of the best brands on earth, and it does.

Likewise, it would be fair to say that nearly all of the companies atop this list also happen to be regarded as truly exceptional places to work. In fact, 13 of them have also been formally recognized (most of them more

than once) as one of the very best places to work by *Fortune*, Glassdoor, *BusinessWeek*, or comparable rating media. Similarly, none of the firms regarded as best places to work shows up in (or anywhere near) the bottom 50 on Fortune's "Most Admired" list. Rather, some of the companies at the bottom of that list are also regarded as especially *un*attractive places to work.

As more than casual observers of these relationships for better than 15 years (indeed the first version of this book cited the comparison in 1998), we can affirm that this finding is anything but an aberration.

Yet, being selected onto lists of this sort involves a fair amount of subjective judgment, even when that judgment considers the opinions of large numbers of one's peers. Hence, we've made it a point to analyze further by looking for consistency in an organization's record. We also examine "harder" data, such as financial performance comparisons between those firms with great workplace reputations relative to benchmarked norms.

Here again, the conclusions are clear: those publicly held firms with good workplace reputations tend to outperform both their immediate peers and aggregate financial benchmarks on a long-term basis—something that's proved true in both "down" and "up" economic cycles. As a case in point, during the period 1997–2010, which included two up and two down cycles, the publicly held "100 Best Companies to Work For" outperformed both the S&P 500 and the Russell 3000 benchmark indices by a 4:1 margin.

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> *Take away my factories, and I will build a new and better factory; but take away my people, and grass will grow on the factory floor.*
>
> —Andrew Carnegie

In the first edition of this book in 1998, we identified six companies, (the Contented Cows), that enjoyed well-earned reputations as employers of choice. We paired them with six competitors that didn't have quite the same workplace reputation (the Common Cows). We conducted a rigorous comparison of their sales growth, earnings, productivity, and return to shareholders over a 10-year period (1986–1995). The Contented Cows outgrew, outearned, and in general, outperformed the Common Cows by a substantial margin.

After the book was published, we extended the comparison period to test the results by including the impact of the 2000 recession and found that the advantages of the Contented Cows became even more compelling. Over the 15-year comparison period, the Contented Cows outgrew their counterparts by a 10:1 margin, outearned them by $111 billion, generated 16 times as much wealth for shareholders, and created tens of thousands more sustainable jobs.

To mollify those who might suggest that we had somehow managed to pick the right comparison companies and time period to advance our theory, we initiated an exercise whose outcome we couldn't control. Specifically, we challenged the management of the Fidelity Investments Magellan Fund to a 12-month head-to-head contest. The challenge was that our little mythical Contented Cows Mutual Fund—which consisted of publicly held employers of choice and was comanaged by a friend who had just obtained his broker's license—could go head to head with what was then the biggest mutual fund on the planet.

The odds of this being a fair fight were slim. Our offer was that Fidelity could make the rules and that the loser would donate $1,000 to the Cystic Fibrosis Foundation. After being ignored by Magellan fund manager Bob Stansky, we implemented the challenge unilaterally (after all, mutual funds report their Net Asset Values on a daily basis) and dutifully reported the comparative results every quarter on our ContentedCows .com website.

Do you know how it turned out? Of course, you do. (We're telling you about it, aren't we? Do you really think we'd be bringing it up if we lost?) The Contented Cows fund beat Magellan by 8.8 percent over the period—and to be good sports, we made the donation anyway.

So there you have it. Contented Cows really *do* give better milk.

Since then, we have travelled the globe advising corporate leadership teams and association management audiences about the very real, tangible benefits of treating people right. We've defined for them in vivid detail just what "right" means and offered straightforward, executable prescriptions for attaining those same results.

People have asked periodically if we thought it might be time to update the story. In general, we have resisted (okay, Bill has resisted), largely on the grounds that once you know that 2 + 2 = 4, there is no need to

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continually reprove it. Moreover, the basic tenets of leadership are virtually timeless.

Yet we have realized after a decade of hearing this question—with the help of our editor, Lauren Murphy—that readers aren't so much interested in a rejustification of the Contented Cows axiom; instead, they are asking for some fresh examples and fresh stories, with maybe a little reaffirmation of the original premise. There is only so much you can hear about the Southwests and FedExes before you ask, "Is that all there is? Doesn't anybody *else* get these things right?"

Therein lies the challenge. Although each of us is an optimist, we are also realists. Practicality reminds us that for every company like Southwest Airlines that has proved in spades that a fired-up workforce is indeed a potent competitive weapon—and that paying customers shouldn't be locked in cramped spaces with grumpy employees—there are a thousand others who either fail to grasp the concept or lack the discipline to faithfully execute it. So although it's not exactly a search for a needle in a haystack, it can be difficult finding real, bona fide exemplars.

It wouldn't be as hard if you could just go to the lists of the annually announced best places to work and accept them at face value, but you can't. Rather, we won't, because there are more than a few organizations that have managed either to game the system in order to achieve recognition or have had the good fortune of a strong, short-lived tailwind. We're more interested in those that have demonstrated over a long period, through good times and bad, that credible leadership practices are deeply embedded in their business strategy. That is precisely why we've only now opted to include Google, a relative newcomer, on our list of Contented Cows.

Admittedly, there is a good deal of subjectivity involved in first defining what an employer of choice actually is. Serious consternation comes into play when determining which organizations legitimately qualify. We rely on essentially three sources to separate the Contented Cows from the rest of the herd:

1. Credible "best places to work" types of lists, such as Glassdoor's "Best Places to Work—Employees' Choice Awards," Bloomberg *BusinessWeek*'s "Best Places to Launch a Career," and *Fortune*

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magazine's annual ranking of the "100 Best Companies to Work For," compiled by The Great Place to Work Institute.

2. Our colleagues in the Society for Human Resource Management, with whom we've consulted extensively on the subject.
3. Our own judgment based on 50-plus years of combined business experience. In the final analysis, we asked ourselves: "Is this a company that we would recommend to a good friend or family member who was looking for a job?"

One message we've gotten loud and clear from readers and others who have been kind enough to offer suggestions is that although you want to hear about more of the positive exemplars, you don't have a need to hear as much about comparison companies whose workplace reputations don't quite measure up. So we've taken a slightly different approach with this edition.

Specifically, we have doubled the complement of Contented Cows and in general benchmarked their performance against respected broader indices rather than individual industry peers.

As you can see from the list that follows, we have again incorporated organizations representing the broad spectrum of commerce, to include the manufacturing, service, and distribution sectors. There are two each from health care, technology, energy, and hospitality; three from the food world; and one from entertainment/media. Some are old, some new; some quite large, others smallish in size. Most operate internationally, and two of the firms are headquartered outside the United States. With the exception of employee-owned Publix, all are publicly held. In short, they are quite representative of the commercial landscape, and the broader market against which we have benchmarked them.

Although we've identified the 12 Contented Cow companies for the aforementioned reasons, we didn't limit our research to these organizations. We'll give examples throughout the following chapters that we've gleaned from personal experiences, site visits, and interviews with members of other organizations, some of which will no doubt be familiar to you. However, let us be clear: organizations that are considered a Contented Cow company must meet the following minimum criteria:

1. *Sustainability:* Have a business model and track record that signal they will be around for a while

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2. *Continuity:* Have been in business for at least five years
3. *Desirability:* Are generally and demonstrably regarded by the people who work there as a good place to work, with positive, affirming, sensible, and affordable employment policies and practices

The Fine Print

Real (and lasting) success in business requires more than just enlightened employment practices. You must have market-worthy products or services, the ability to deliver them when and where the customer wants (at a price they're willing to pay), and, to be sure, capable leadership.

We also recognize that just as productive employees are not always satisfied, satisfied employees are not always productive. In fact, some may be satisfied because they *don't* have to be productive. And, of course, there are those who prefer to "check their brains" at the door and work only with their bodies (if at all). So we are not asking you to accept the notion that the *only* factor explaining the huge financial performance advantage of the Contented Cow companies happens to be their employment practices.

But we are asking you to consider that it's virtually impossible for any labor-intensive organization to get to (let alone stay at) the top without having adopted such practices. In an age when speed, flexibility, and flawless execution have become the primary markers for competitive advantage, human factors are mission critical. Indeed, within the culture of the successful organization, the identification of the employees themselves with the company mission, vision, and values is so great that it made sense to use the Contented Cow metaphor interchangeably for both corporate entity and its constituent parts—in other words, its people. We think the facts and figures you're about to see make the case in no uncertain terms.

Our current research led us to evaluate 10 years' worth of financial statements for literally dozens of companies. For comparison purposes, we settled on the period from 2001 to 2011 and chose financial measures that are statistically significant, universally available, and commonly understood. Sales and earnings data are generally portrayed for the 10-year period from 2001 to 2010, whereas stock data are generally portrayed for the period from 2002 to 2011, owing to its timelier reporting. Now that

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we have established the background and parameters, here is our list of comparison companies:

Contented Cows

Technology	Food	Health Care
Google	General Mills	Novo Nordisk
Qualcomm	J.M. Smucker	Roche
	Publix Super Markets	
Energy	**Hospitality**	**Entertainment/Media**
Chesapeake Energy	Marriott	The Walt Disney
NuStar Energy	Starbucks	Company

Now, before going any further, ask yourself this question: Based on what I know of these companies, which—if any—would I want to work for? In fact, while you're at it, why not make a list of your *own* comparison companies? That way, if you at all doubt our premise, you can check them out and see for yourself. Go ahead. (It's okay to write in the book; you paid for it.)

My List of Comparison Companies

1.
2.
3.
4.
5.

If you come up with some strong exemplars, you might also want to list two or three specific characteristics that make each organization a great place to work. Then, the next time a friend is job hunting and you get the inevitable "networking" call, steer your friend to one of the companies on the list. If you're willing to share, we'd like to hear about your discoveries as well.

It is fitting perhaps that the comparison period includes two economic recessions (2000 and 2007–2009) that bookend an interim period of modest

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economic growth. Businesses are truly tested during such periods. Anybody can make money when the sun is shining and the wind is at their back.

The Business Case

A middling economy notwithstanding, the Contented Cows indeed made money for themselves and their shareholders during the comparison period. Witness the facts that:

- The average annual total stock return for the Contented Cow companies (combined) during the period 2002–2011 was 10.7 percent, beating the broader market average by a whopping 9.7 percent annually, creating a wealth premium of approximately $70 billion annually.
- Every company's shareholder performance bested the S&P 500 for the period.
- Of the 12 companies' 10 year shareholder returns, 8 also beat their industry averages.
- During a period when the U.S. economy performed at a subpar level (real gross domestic product [GDP] growth in the nonrecession years of the 2000s averaged just 2.7 percent a year, versus a 3.3 percent average between 1947 and 2011), the Contented Cow companies averaged 23.4 percent annual revenue growth, far outpacing their peers and the broader market.

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So once again, the Contented Cow companies have a nasty habit of growing faster, creating more wealth for shareholders, and creating more sustainable jobs. Game, set, match.

Where's the Beef?

The point is actually a simple one. So simple in fact that the Carnation Company, now part of Nestlé, may have put it best many years ago when they suggested that their condensed milk product came "From Contented Cows."

Any serious dairy farmer will tell you that for as long as they've milked cows, they've employed methods of care to produce healthier, more contented, and most important, higher-yielding cows. Animal science studies at respected universities suggest that dairy cattle that are named—and referred to by name (yes, you read that correctly)—and that enjoy the benefits of dry, level, amply-sized feed lot space produce upward of an additional 60 gallons of milk annually. At $3.75 per gallon, that works out to a little over $54 billion of potential annual benefit for the world's dairy farmers. Ten years at that rate, and you've got yourself a stimulus package.

In a similar vein, those organizations that can be consistently identified as winners in their respective fields—whether it's making raspberry jam or pharmaceuticals, delivering lattes or natural gas, or furnishing a home away from home to weary travelers—also happen to be known as some of the best places on earth to work. Unlike the age-old conundrum of the chicken and the egg, we don't think there is any doubt about which came first in these cases. Truly excellent organizations differentiate themselves from the start as employers of choice. This allows them to hire and retain top-drawer people, harvest their ideas and discretionary effort, and then distinguish their products and services in the marketplace. Think it's a coincidence? We don't.

We have a lot to say about what Contented Cow companies are doing, but perhaps just as notable is what they *aren't* doing. Unlike the approach that many of their competitors take, management in these companies is not betting the ranch that technology and capital spending alone will lead them to a more competitive posture. Nor do they focus their employee engagement and retention efforts on faddish tactics.

Please don't confuse contentment with complacency. The fact that a cow is contented in no way interferes with its inclination or ability to "jump over the moon." Instead, companies that follow the Contented Cow path seem to agree with the idea—well expressed by former Procter & Gamble chairman and chief executive officer Owen (Brad) Butler—that "productivity comes from people, not machines."

Let's also establish, early on, that leadership is not about getting to the "smiley face." Even when done well, it can be difficult, demanding, and unpleasant, resulting in bumps and bruises. Life, after all, is a contact sport, and leadership is about close-quarters contact.

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Jim Barksdale, my* former boss at FedEx, was fond of saying, "We're in business for exactly one reason, to get and keep customers." To the extent that an organization is at all labor-dependent, we propose that the principal requirement for operationalizing that aim is the creation of a satisfied, fully engaged workforce.

For many years, we have stayed at Marriott hotels just about every week. Although the ubiquity of their properties, indeed, has something to do with that decision, we mainly continue to stay with them because their employees are nice, are polite, and perform. I'm sure they've got a few grumpy people somewhere, but they must be hiding them in the basement on the third shift, because I've yet to run into one of them. Throughout his long career, Bill Marriott consistently commented on the critical nature of staff members' attitudes in his business.

The truth is that most of our products and services, technologies, methods, tools, and strategies can all be copied. However, it's not as easy to duplicate a focused, caring workforce. In the final analysis, "people factors" are frequently the key source of competitive advantage—the factor least visible to the naked eye and most difficult to emulate. We simply must accept that most businesses aren't so much capital, expertise, or even product-driven as they are *people*-driven.

Clearly, this hasn't always been the case. Under the earliest business model, the corporation was little more than tangible property—at first a piece of real estate (e.g., a farm) and later a factory. Then over time it became the financiers—those who had supplied the capital necessary to expand and automate the farm or factory—who emerged as the primary centers of influence. But as the very nature of "work" continues to evolve and disaggregate, its focus shifts more to knowledge, service, and speed, hence the significance and ownership of the "hard assets" diminishes.

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***Authors' note:** Assuming the reader to be indifferent when it comes to details of our personal lives, we have generally refrained from inserting ourselves into the narrative by not attributing anecdotes to either one of us. It suffices to say that regardless of a story's pedigree, we both agree on the lesson drawn from it.

Can You Hear Me Now?

Henceforth, corporations will be defined less by their tangible book value and more by the "real pulsating bodies" who comprise them—stakeholders that include customers, employees, and owners. This is particularly true in an age that is heavily influenced by social media, because it organizes, amplifies, and accelerates the opportunity for those voices to be heard.

The loosely defined participatory democracy, which began in early 2011 with the Arab Spring uprisings in Egypt and elsewhere—and continued later that same year with the Twitter-induced beat downs of fee policies at Bank of America and Verizon—has clearly migrated to the workplace. Think about it: cohorts of workers (at all levels) organize on their own, show up virtually or in person at a work site, do their thing, disband, and do it all over again somewhere else.

To be sure, the terms of the deal in the workplace have morphed radically over the past decade, to a point where most managements no longer enjoy the benefit of the doubt of their workers. The terms *employer* and *job* have lost nearly all relationship to what they meant just 20 years ago. So much so that in the case of the former, British management scholar Charles Handy suggests that we should give up the term entirely and refer to ourselves not as *employers* but as *organizers of work*. Chew on that for a minute or two.

Things like worker engagement get pretty tricky when most of our workers are, as my son put it, "not married to their jobs, but just dating them"—and sometimes not even exclusively.

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The Core of Our Philosophy

Before going further, let's get something straight. Our message concerning enlightened employee relations has nothing whatsoever to do with altruism. Instead, it's all about capitalism, pure and simple. Motivated people move faster, the net result being fewer problems and better business outcomes.

Charles Hampden-Turner of the London Business School puts it another way: "It's not just wrong to exploit workers, it's stupid. . . . The

trouble with crushing workers is that then you have to try to make high-quality products with crushed people."

Are the concepts of "satisfied people" and capitalism mutually exclusive? Of course not! In fact, they are inextricably linked. There are those, however, who report to work each morning reciting a mantra that goes a little like this: "We're here for one reason and one reason only—to enhance shareholder wealth," and that's okay. But in our view, a problem emerges when that laudable goal is allowed to become the narrow or even exclusive focus of attention. To wit, the organization may actually be precluded from doing certain things that would otherwise best serve shareholder interests in the long run.

Levi Strauss's retired chairman, Robert Haas, apparently agrees: "Everyone looks at the wrong end of the telescope, as if profits drive the business. Financial reporting doesn't get to the real stuff—employee morale, turnover, consumer satisfaction, on-time delivery, consumer attitudes, perceptions of the brand, purchase intentions—that drives financial results."[1]

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Your Reputation Is Worth More Than You Think

What is your reputation as an employer worth? What sort of things should you be doing to maintain and enhance that reputation? While we can debate what those things are, some standards must exist. Organizations that don't measure up tend to be viewed as an "employer of last resort"—places where nobody with any brains, ability, or motivation would want to work! When this occurs, only two things can happen. Either the organization is forced to pay market-premium wages and salaries in an attempt to secure better applicants, or it must accept the lower-quality applicants . . . or do both. And although the impact of bad hiring won't show up in the earnings for this quarter or next, it *will* show up.

From the start, Nevada-based Zappos has been deadly serious about operating a high-touch Internet retail business through a focused, fired-up, capably led workforce. Their people, all of whom are initially trained as telephone customer service reps, are given considerable latitude in dealing with customers. There are no scripts and no maximum call handle times. As a result, they are zealots about recruitment and training.

During an October 2011 tour of their operation, I was utterly amazed by the sincerity of their approach, the transparency of their operation (a big white board on the second floor of their office displays critical operating data replete with financial statements for everyone to see), and the esprit de corps that ensues. If Zappos and others like them have talented people practically begging to work there, do you suppose their managers find the task of recruiting easier or harder? Do they have to pay people relatively more or less to work there?

Pragmatic Ideals

If we boil all this down, what emerges is a set of beliefs and practices driven mainly by a great sense of pragmatism. According to Haas, "I believe that if you create an environment that your people identify with, that is responsive to their sense of values, justice, fairness, ethics, compassion, and appreciation, they will help you be successful. There's no guarantee, but I will stake all my chips on this vision."

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Look at What Works, and Emulate It

So why not do what Zappos, Levi Strauss, and other employers of choice have done—build an organization full of capitalists, people with pride and a critical stake in the enterprise? Let's look at the situation logically. It's a simple physics problem . . . say management wants one thing, and employees want the opposite; there are more employees than managers, and the side with the most mass and energy is going to prevail. For as long as this goal incongruence exists, each side is going to spend its time accumulating or withholding energy rather than being productive. In the end, everybody loses.

Hopefully, we can all accept the premise that despite all the change in the workplace, Contented Cows STILL Give Better Milk, and that better milk (i.e., better organizational outcomes) is a good thing. Consistent with that premise, our real goal should be to have nothing but competent Contented Cows in our pasture. We must approach this objective on two fronts:

1. By hiring and retaining only those people with the capacity to be both productive and satisfied in our organization.
2. By keeping them tightly focused on our reason for existence, while rooting out and preventing distractions, which, over time, only sap their energy and enthusiasm. The trick once they are contented is to keep them that way—and therefore productive for the long haul.

Make no mistake; Contented Cow companies do both with purpose and conviction.

Robert Owen and Scottish Millworkers

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The concept of Contented Cows is certainly not new. It has some impressive historical precedent both in the United States and abroad. Even in cases where the concept's application has been flawed (and there have been several), it teaches us valuable lessons.

For the first quarter of the nineteenth century, Robert Owen owned and operated a highly successful cotton mill at New Lanark in southwestern Scotland. Before visions of kilted lads and lassies frolicking in the heather fill your head, you should know that to work in a factory during Britain's industrial revolution was no day at the loch. Scotland's industrial belt at the time was home to poverty, backbreaking labor, and deplorable working conditions. But Owen believed that one's character was a product both of inherited nature and of one's environment. Knowing he could do nothing to affect the former, he conducted an experiment in the latter and created, for a time, one of Britain's most flourishing and profitable corporations—with a large labor force enjoying working conditions far surpassing the low standards of that era.

Owen inherited a population of just under 1,000 demoralized, unproductive workers whom he gradually transformed into a group of 2,500 industrious and—compared with most of their fellow countrymen—relatively satisfied members of society. He accomplished this feat simply by creating a work climate more conducive to human effort and then gradually enriching the pot.

While his competitors worked their people 13 or 14 hours a day, the beneficent Owen required only 10.5 hours a day from the adults in the mill

and less than that from the children (who, when they weren't working, attended the schools he had built for them). Although even those hours seem draconian by today's standards, it was a groundbreaking development in early Victorian Britain.

Turnover was a problem for Owen's contemporaries—not so much because workers quit but because they had the annoying habit of dying, often in their 30s. Although there was not much field research on which Owen could base his hypothesis, he theorized that creating a community in which workers could live to a ripe old age and focus their energy on their work, rather than their problems, could only bring in more profits for him and his partner. His theory proved to be valid, and over more than a generation, it made him a wealthy man.

The mill town, beautifully preserved today in a popular attraction on the banks of the River Clyde near Glasgow, not only promised humane treatment of workers and more reasonable working conditions but featured a strong emphasis on education. All employees' children, from the age of two, were enrolled in superior schools in the village. Shopping, health care, and even social outlets and recreation were provided, all without leaving New Lanark.

What motivated Robert Owen to make such sweeping changes? From the outset, he seemed very much a capitalist. He figured that workers who were distracted by trying to survive couldn't possibly produce as much for him as people who at least had a fighting chance of attending to their own basic needs. Even Frederick Engels, unabashed socialist and coauthor of the infamous Communist Manifesto, said that Owen's philosophy and practices were "based upon this purely business foundation, the outcome, so to say, of commercial calculation. Throughout, [his practices] maintained this practical character."

In later years, Owen lost sight of the pragmatism that Engels recognized in him, became preoccupied with developing a utopian society, and screwed the whole thing up. Eventually, social idealism overtook the straightforward, practical ideology on which New Lanark was founded, and the community—along with the American counterpart in New Harmony, Indiana, that Owen had established—failed. Both stopped emphasizing the honor of labor, and the paternalism that evolved in its place attracted loafers and bums who liked the idea of being taken care of.[2]

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Milton Hershey and the Town That Chocolate Built

A century later, another pragmatist built a community, one that remains today—a community built of chocolate.

Milton S. Hershey stumbled onto candy making after a series of small failed enterprises collapsed behind him. He literally went from rags to riches in four short years, and in the process, he built the town of Hershey, Pennsylvania. Some said his success was due to his willingness to peel off his coat and work beside any of his workers any time. Others said it was the candy maker's motto: "Stick to it" (the pun probably didn't even occur to him). Still others attributed his company's explosive and then sustained growth to Hershey's recognition that if you take care of people's certain basic needs, they can concentrate on their work and make money for you. (As evidenced by Hershey's 49.5 percent average annual return on equity over the past decade, they've done quite well in this regard.)

Hershey's practical approach to the business he built emanated not so much from ideology but from necessity. When he decided to build a chocolate factory, he couldn't afford to buy land in the more developed areas of his home state of Pennsylvania. However, the price of land in the central part of the state was very attractive. There was only one problem; nobody lived out there. Undaunted, Hershey built not just a chocolate plant but an entire town. He made housing available and built schools, a bank, a hotel (stay there if you ever have the chance), churches, parks, golf courses, and a zoo. He even installed an extensive trolley system to provide transportation for those who settled in the new town of Hershey. Rather than laying off and retrenching during the Great Depression, Hershey hired and grew.

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Ruminate on This

Times have changed, and a company's practices today must reflect its operating environment. People in Victorian Scotland needed shelter, medicine, hours that wouldn't kill them, and education for their children. And crass as it may sound, Robert Owen knew that every young widowed mother mourning the premature death of her husband represented another fully consuming but unproductive member of society. His plan simply gave people more of what helped them and less of what dragged them down.

Similarly, Milton Hershey wasn't interested in offering his chocolatiers a sweet deal at his expense. In his time and place, the only affordable option meant going to the frontier. People are doing the very same thing today; it's just that they often find that frontier in places like India and China. Hershey's plan would work only if he could provide productive workers with a town, or at least a way to get to the factory. Otherwise, who would make the chocolate?

It's not about social protectionism or paternalism—anything but. When people are afforded the opportunity to focus freely on their work—an opportunity backed by high expectations and appropriate rewards—they'll do their jobs. It's really a very wise thing for an organization to create and support a satisfied workforce, because that workforce can build wealth almost as fast as a disgruntled one can destroy it.

As we continue to make the case about Contented Cows with cold, hard facts and analyze what it takes to create and maintain a capably led, satisfied, highly motivated workforce, you can expect us to poke some holes in the myths that abound about what employee satisfaction really is. We're willing to bet it's probably not what you think.

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Chapter Summary

1. Productivity comes from people, not machines.
2. The notion of Contented Cows is anything but new. We've known for a long time that people can choose to contribute if (but only if) they want to.
3. People factors are a source of competitive advantage or disadvantage; the choice is yours.
4. Contented Cow companies have absolutely, positively outgrown, outearned, and outperformed their competitors and the broader market over a 25-year period.
5. The argument is for capitalism, not cynicism or humanism.