Best Practices in Human Resources: An In-depth Analysis of Innovative HR Policy Used by Top Companies

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Best Practices in Human Resources
An In-depth Analysis of Innovative HR Policy Used by Top Companies

A Senior Honors Thesis

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for Graduation in the Honors College

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INTRODUCTION

Throughout history, business and labor have had a tumultuous relationship, with some companies having little regard for their employees and other’s going above and beyond the call of traditional organizational practices and policies. The Social Exchange Theory posits that “there is a ‘norm of reciprocity’ between employers and employees in business, which means that when someone is treated well by a person or entity they will feel a sense of obligation to reciprocate” (Gilbert, Caroline, et al.). In other words, if an employee feels as if their company cares about their well-being and invests in their ability to thrive in that organization, then the company will see a return on their investment. On the opposite side of the spectrum, if employees feel as if their company, or more specifically their Human Resources department, is not addressing or committed to the needs of employees, then the affective commitment of employees will decrease (Gilbert, Caroline, et al.). The following research reflects a thorough analysis of five companies that embody the social exchange theory through their Human Resources policy and practices in the following areas: time-off policies, compensation, retirement plans and stock options, health, childcare and related benefits, general work environment and leadership development. The specifics of these general policy areas, as well as details on the innovative HR practices of Southwest Airlines, SAS Institute, Netflix, Microsoft and Lincoln Electric, will be outlined in the pages to come as part of a comprehensive overview of companies that demonstrate human resources best practices and policies in the United States.

COMPANY INTRODUCTION

The focus of this work will be on U.S companies that encompass most or all of the best practices and policies listed above. As previously mentioned, these companies include: Southwest Airlines, SAS Institute, Netflix, Microsoft and Lincoln Electric.
Southwest Airlines, founded in 1967, is an airline company that serves 101 destinations in the U.S. and eight countries (Southwest Corporate Fact Sheet). They have over 53,000 employees, which makes them the nation’s largest airline in terms of full-time equivalent employees, and have continuously been ranked as one of the best places to work by publications and websites such as Fortune, Forbes, Glassdoor and many more (Southwest Corporate Fact Sheet). SAS Institute has 14,051 employees worldwide; however, the 5,600 employees who work at their headquarters in Cary, North Carolina (About SAS) will serve as the focus for this analysis. SAS has also repeatedly been ranked as one of the best places to work by both Forbes and Great Place to Work, and the extent to which SAS values its employees is evidenced by CEO Jim Goodnight’s statement that “95 percent of my assets drive out the gate every evening. It’s my job to maintain a work environment that keeps those people coming back every morning” (Great Workplace). The third company to be included in this analysis, Netflix, is an online streaming service for movies and TV shows, and they also send DVDs by mail. They have 3,700 employees and Forbes has named them one of the most innovative companies, as well as one of America’s best employers (Netflix on the Forbes). Microsoft is a technology company that sells software, personal computers and consumer electronics. They have 71,361 employees in the U.S. and many thousands more all over the world (Facts About Microsoft). Although they are not frequently mentioned as being one of the best companies to work for, overall, Microsoft has some of the best policies and practices in many crucial areas of Human Resources (Facts About Microsoft). Finally, Lincoln Electric is a multinational welding company located in Cleveland, Ohio, with more than 40 manufacturing locations (Worldwide Locations). They have approximately 10,000 employees worldwide, and have been known to treat their employees better than almost all other manufacturing and industrial companies (Caplinger). The Human
Resources policies and practices of these five companies will be examined and compared, however they all represent some of the best companies that the United States has to offer.

POLICY AND PRACTICE DESCRIPTION

As previously mentioned, the Human Resources areas of interest here are time-off policies, compensation, retirement plans and stock options, health, childcare and related benefits, the general work environment and leadership development. Time-off policies include paid and un-paid leave, maternity and/or paternity leave as well as vacation and sick days. Compensation refers to aspects such as profit-sharing plans, and how the company compares to other companies in the same industry in regard to how well they pay their employees. Retirement plans and stock options cover what types of plans the company offers to their employees, and if they match employee contributions to these retirement plans. This section also focuses on any discounts the companies give employees to purchase stock, and how large of a stake the employees hold in the company. Health, childcare and related benefits refers to how much coverage is given to employees in terms of their health benefits, if there are childcare benefits how comprehensive they are, and any other extra benefits that the company provides to their employees. The general work environment of these companies, which include aspects such as how responsive the leadership is to the employees, the core values and beliefs of the company, and any perks available for employees at the job site or office, will also be examined. Finally, a discussion of leadership development in the above companies will focus on what the companies provide to their employees in order to help them progress into leadership positions, or help them attain continued education. Southwest Airlines, SAS Institute, Netflix, Microsoft, and Lincoln Electric each excel in more than one dimension of Human Resources policy, although the extent to which they cover every aspect of these policies varies.
TIME-OFF POLICIES

While time-off is an important aspect of all companies, the most common amount of paid time off given by organizations is around 15 days. Netflix has a very generous time-off policy, where an employee can take as much time-off as they need or feel is appropriate (McCord). This time-off needs to be approved by a manager and is only available to salaried employees (McCord). Netflix also offers up to a year of paid time off to new parents, both mothers and fathers, as part of their liberal time-off policy (McCord). SAS Institute has implemented time-off policies that include not monitoring employee’s sick days; therefore, employees can essentially take as many sick days as they want (Employee & Retiree Services). Another feature of SAS’s time-off policy is that they offer both paid vacation and paid paternity and adoption leave (Employee & Retiree Services). Microsoft offers a generous eight weeks of paid maternity short-term disability leave, while the standard timeframe is only six weeks (Benefits and Perks). Microsoft also offers 12 weeks of paid parental leave for births, adoptions and foster placements, which essentially gives mothers the opportunity to take up to 20 weeks of paid maternity leave (Benefits and Perks). In regard to time-off policies, these three companies offer some of the best benefits in the United States in both parental leave and basic paid time-off.

COMPENSATION

Compensation can be one of the most attractive aspects of a company, and is usually what allows organizations to acquire the best talent. For example, Lincoln Electric employees earn about twice as much as other factory workers in the Cleveland area due in part to their use of the piecework system, which is a system where employees are paid based on the number of goods they make (Jackson & Schuler). Lincoln Electric does not put a cap on how much an employee can earn through the use of this system; therefore, if an employee is extremely
productive, they will take home a large salary (Klein). Another unique compensation benefit that Lincoln Electric offers is an extremely generous profit-sharing plan, which culminates in a year-end bonus that averages about 90% of the employee’s salary (Jackson & Schuler). In 2012 alone, Lincoln Electric was able to give their 3,000 U.S. employees $99.3 million from the profit-sharing plan, which averaged about $34,000 per employee (Caplinger). According to employee reviews on Glassdoor, a company that allows people to anonymously report salaries and reviews of companies, employees state that “the year-end bonus is generous and is a nice way to invest in and reward the employees” (Lincoln Electric Reviews). This shows that Lincoln Electric’s bonuses are in fact beneficial and appreciated by employees.

Southwest Airlines is among the best companies in regard to compensation for employees in the airline industry, and the reason for this is mostly due to their time-tested ability to keep costs low (Klein). Like Lincoln Electric, Southwest also has a profit-sharing plan to which they contribute 15% of the company’s pre-tax income (Klein). Although their compensation is among the best in the industry, the employees need to be engaged from the start (Weber). That’s why Southwest receives an application every two seconds and only hires about 2% of those applicants (Weber). Southwest likes to think of their excellent compensation as “investing in their people”, and they recognize that although this results in a high cost upfront, it is cost-effective in the long run (Gittell). Southwest’s “investment in their people” is evident in the fact that Southwest works consistently with unions to broker new contracts; however, unlike other employers, Southwest doesn’t ask “How little can we pay union employees?” they ask “How much can we pay?” (Gittell).
RETIREMENT PLANS AND STOCK OPTIONS

Stock options and retirement plans are a widely used benefit in companies today. For example, Netflix offers a standard 401k retirement plan with employer match, and employees are able to buy stock in the company (McCord). However, one unique feature to the stock purchasing plan is that there is no vesting period for employees; therefore, employees can cash in their stock at any moment (McCord). Netflix does this because they don’t want their employees to feel tied down to the company, and would rather they have the freedom to leave at any moment (McCord).

Southwest Airlines is another example of a company that offers the widely used benefit of stock options and retirement plans, but they differentiate themselves by going above and beyond what is normally offered. Southwest matches dollar for dollar on employee pre-tax contributions to their own 401k plan or Roth contributions up to between 8.3 and 9.3 percent (WorkPerks). Employees are also able to rollover their eligible funds into one of Southwest’s retirement plans, and they are given a wide variety of plans from which to choose (WorkPerks). In regard to stock options, Southwest’s stock purchase plan allows employees to buy stock in Southwest at a 10% discount, which gives them a considerable financial advantage over stockholders outside of the company (Klein). Like Southwest, Microsoft also allows their employees to purchase stock at a 10% discount, however they have a defined purchase period during which their employees can utilize this discount (Benefits and Perks). Microsoft also matches $0.50 for every pre-tax or Roth dollar saved for employee contributions to retirement plans of their choosing (Benefits and Perks).

Lincoln Electric has put a unique spin on stock options and retirement plans. This company offers a 401k plan to which they contribute 4-10%, depending on how many years of
service the employee has had (Klein). A 10% contribution from an employer is extremely high, and this is evidenced by the fact that other companies, such as Southwest, who are considered to have a generous retirement plan, only go up to about a 9% contribution. Lincoln Electric also offers an employee stock ownership program, where employees with more than two years of service are allowed to purchase stock (Jackson & Schuler). This program has resulted in employees owning half of Lincoln Electric common stock, and it also ensures the same dividend and voting rights as the stock that is owned outside of the company (Jackson & Schuler). In essence, the employees have a great deal of ownership in the company, which means that Lincoln Electric is held just as accountable to employees as they are to any other shareholder.

These four companies demonstrate some of the best benefits in regard to stock options and retirement plans, but they also demonstrate how much these plans can vary from company to company.

HEALTH, CHILDCARE AND RELATED BENEFITS

On average, an employee costs an employer, including benefits and taxes, about 18-26% of an employee’s overall salary (Pagliery). Some companies stretch that limit by offering a multitude of benefits that help them be competitive in their industry and attract the best talent. Lincoln Electric, for example, offers a continuous employment plan, which covers permanent employees in their Cleveland plant who have 3 or more years of service (Klein). This continuous employment plan assures qualifying employees that they will not be laid off during times of economic recession. Lincoln Electric accomplishes this by limiting the number of part-time workers when the economy is doing well, so that they do not need to lay off these employees when the economy is in recession (Klein). In fact, Lincoln Electric has not laid off a single employee since WWII (Jackson & Schuler). In regard to health insurance, the full annual cost of
employee’s health insurance at Lincoln Electric is deducted pre-tax from the profit-sharing bonus before it is given to the employees; therefore, it is not an extra expense coming out of their paycheck each month (Klein). Lincoln Electric provides the added benefit of an Employees Association, which was formed in 1919 to provide and advocate for health benefits and social activities for employees (Jackson & Schuler).

Southwest is yet another example of a company that goes above and beyond in regard to provision of benefits to employees. Like Lincoln Electric, Southwest has a no layoff policy, wherein stable employment is stated in their mission statement to their employees (Klein). This part of their mission statement signifies that once Southwest hires an employee, they aren’t going to fire said employee or lay him or her off, and will work as hard as they can to keep this employee on their team. The health and medical coverage options at Southwest range from PPOs to a high deductible health plan, but Southwest pays a large amount of the cost in order to make the monthly payments affordable to employees (WorkPerks). Southwest offers many of the standard benefits such as dental, vision, a flexible spending account, health savings account and basic life insurance. In addition to these standard benefits they also offer adoption assistance reimbursement, paid adoption leave, a child and elder care resource and referral program, committed partner benefits, a concierge program, supplemental hospital insurance, pet insurance, auto and home insurance, and long-term care insurance (WorkPerks). Almost 350 Glassdoor reviews corroborate how amazing the benefits are, and reviewers give an average rating of 4.2/5 for compensation and benefits (Southwest Airlines Reviews). This organization goes above the traditional benefits of average companies by offering practically any type of benefit an employee may need, while assisting them with aspects of life such as elder care, adoption assistance and even car insurance.
SAS Institute, like both Lincoln Electric and Southwest, has never resorted to layoffs, which puts them in a very small category of companies that have policies against layoffs (Klein). One very unique and outstanding aspect of SAS is that their benefits package is equal to 40% of an employee’s overall compensation, and as previously mentioned, the average benefits package, including taxes, is between 18-26% of an employee’s overall compensation (Klein). To put this in perspective, SAS gives their employees almost more than two times the national average in benefits, which extend from health care to their other comprehensive offerings. One of many of these offerings is a health care center that is onsite in their headquarters, which includes a pharmacy, a wellness center, and two subsidized on-campus day-care centers that become camps in the summer (Klein). SAS employees can therefore drop their kids off right before they go to work and pick them up right when they’re leaving, and pay a fraction of the cost that they would normally pay at other daycare centers. The wellness center offers fitness and relaxation programs, aerobics and massage, as well as health-related programs including weight management and smoking cessation (Klein). Their work/life center offers educational programs that are free to employees on topics such as healthy eating and cooking, as well as private consultations, counseling and referrals to address issues associated with adoption, divorce, parenting, special-needs children and elder care (Klein). Employees take advantage of these benefits at a high rate of 70%, meaning that SAS is a company that not only provides incredible services to employees, but also convinces them to take advantage of them (Klein). In regard to health benefits, SAS provides discounts on prescription drugs at their own pharmacy, with low co-pays for employees that range from $5-$10 (Your SAS Rewards). Finally, SAS provides a college scholarship program for the children of their employees (Employee & Retiree Services). Additionally, almost 150 people have left reviews on Glassdoor that state just how incredible the
benefits are at SAS, which demonstrates that employees feel satisfied and well-taken care of by the company (SAS Institute Reviews).

Microsoft also offers well-rounded health benefits to their employees. They provide vision and dental care, with braces included in the dental care package, as well as physician house calls in the Seattle area (Benefits and Perks). In addition to house calls, they offer a 24-hour health line that employees can use to receive help in making healthcare decisions (Benefits and Perks). Lastly, Microsoft offers free on-campus health screenings and flu shots in their own Living Well Center, where they also offer programs to address issues such as weight management and support with office ergonomics (Benefits and Perks). According to Glassdoor reviews, over 2,400 people spoke highly about the benefits offered by Microsoft, and gave benefits an average rating of 4.1/5 (Microsoft Reviews).

GENERAL WORK BENEFITS AND WORK ENVIRONMENT

Few companies truly stress the importance of making the workplace a great place for employees the way companies like Netflix, Lincoln Electric, Southwest, SAS, and Microsoft do. At Netflix, instead of undergoing a formal review process, managers have more informal conversations with employees to facilitate an honest and open conversation (McCord). Additionally, there are no “Performance Improvement Plans”, which Netflix believes are simply paper trails as to why someone needs to be fired (McCord). Instead, the company has implemented informal 360-degree reviews where employees are asked to tell their colleagues what they should stop, start or continue doing (McCord). Their motto is to be honest and treat their employees like adults; therefore, Netflix has no problem firing people who are no longer useful to the company (McCord). Although this seems harsh, it has created a dedicated and talented team at Netflix (McCord). Additionally, each employee on this dedicated and talented
team brings in approximately $2,514,690 in annual revenue, which contributes to Netflix’s philosophy of letting employees go if they are not performing to the company’s standards (Rosenbush). This high average revenue per employee is also evidence as to why Netflix can offer such great benefits. Essentially, they do not need to hire additional people to sell more subscriptions, therefore they can have a relatively smaller number of employees generating a large revenue, which can then be redirected in the form of benefits to employees. Overall Netflix believes that “It’s a waste of time to articulate ideas about values and culture if you don’t model and reward behavior that aligns with those goals”. In other words, Netflix doesn’t just talk the talk, they show their employees what their culture and values are like through their policies and practices, instead of simply preaching to them about what it should be like (McCord). According to reviews on Glassdoor, Netflix does indeed walk the walk when it comes to their culture. Almost 50 reviews stated something to the effect of “freedom and responsibility is not a buzz phrase but reality” and “treated like an adult, no micromanagement” (Netflix Reviews). This may also be due to the fact that 87% of reviewers approve of the CEO, Reed Hastings, and 67% of reviewers would recommend working at Netflix to a friend (Netflix Reviews).

Lincoln Electric also supplies many examples as to how they provide an outstanding work environment to their employees. One of the overarching reasons they are able to do this is that the company has only had seven CEOs in 122 years, which has provided a sense of continuity to the employees (Klein). This ensures that there is continuity in policies and practices within the company, and that management styles are not constantly changing as well. Another unique aspect of Lincoln Electric’s work environment is their employee advisory board, which consists of employees who are elected by, and act as, representatives to other employees (Klein). This board meets with and makes recommendations to the chairman and president of the
company every two weeks, and many of these recommendations are accepted and implemented (Jackson & Schuler). For example, the advisory board recommended integrating a group life insurance plan as well as paid vacations, which were both accepted, making Lincoln Electric one of the first companies in the nation to have paid time-off (Klein). The company also emphasizes an open-door policy, which means that any employee is allowed to meet and discuss important issues with the CEO or the president of the company (Klein).

Lincoln Electric implemented a suggestion system in 1929, which still continues to this day, and this system awards “additional points” to employees who make suggestions on how to improve operations. These points ultimately affect their year-end bonus (Jackson & Schuler). In other words, the company awards their employees for making suggestions on how to improve the company overall. James Lincoln, the second CEO of Lincoln Electric, once said, “Labor and management are not warring camps they are parts of one organization in which they must, and should, cooperate fully and happily…There must be complete honesty and understanding between the hourly worker and management if high efficiency is to be obtained” (Jackson & Schuler). The advisory board and suggestion system both demonstrate James Lincoln’s belief that labor and management must be on the same team in order to be most effective. In fact, Lincoln never allowed a formal organizational chart to be made, because he desired a high-degree of flexibility within the company (Jackson & Schuler). This further demonstrated the idea that labor and management are simply two unique parts of one organization (Jackson & Schuler). Likewise, employee reviews on Glassdoor corroborate this with statements from employees saying “Excellent employer with high respect”, showing that the company does in fact treat their employees as an important part of the overall corporation (Lincoln Electric Reviews). Routine supervision at Lincoln Electric is also almost nonexistent, with a ratio of supervisor to worker of
1-100, and this is due to the level of enthusiasm and quality that the workforce provides at the company (Jackson & Schuler). Moreover, production workers only have about two or three levels of supervision between them and the president of the company, which gives even more credence to the open-door policy and accessibility of upper-management (Jackson & Schuler). Other general workplace benefits include a plant cafeteria that serves meals at about 60% of their original cost, internal promotions, and external hiring for entry-level jobs only (Jackson & Schuler). Finally, every employee with at least 2 years of service to the company is guaranteed at least 30 hours a week of work and 49 weeks per year, which means that the company will not overuse part-time workers (Jackson & Schuler). With a turnover rate of only 6%, it is no wonder why Lincoln Electric has exceeded at creating an atmosphere that is geared towards the well-being of employees (Klein).

SAS prides itself on taking care of its employees. In fact, appreciation and dedication to employees is actually listed in the principles that guide the company (Klein). One of the organizational elements that has contributed to the success of SAS is “…careful employee selection and creation of working conditions that have led to high employee productivity, creativity and satisfaction” (Klein). SAS takes this element to heart and provides its employees with benefits that many could only dream of. Their careful employee selection is also demonstrated by SAS’s low turnover rate of only 5%, with an industry average of more than 16% (“SAS Ranks No. 4”). All SAS employees are given their own office to promote concentration, and are able to work with one of two full-time in-house artists to make individual pieces of artwork for their space (Klein). In addition, employees can work with an ergonomics professional to help them find the right office chair for their comfort (Klein). SAS employees are only expected to work up to 37.5 hours a week maximum, but the general workweek is only 35
hours throughout the company (Klein). In the actual SAS buildings, there are over 5,000 paintings, and on the campus itself there are multiple outdoor sculpture pieces for the enjoyment of guests and employees (Klein).

Also on campus lies a 66,000-foot recreation center that includes a gym, weight room, billiards hall, sauna, hair salon, manicurist, and an Olympic-size pool (Klein). If employees don’t want to stay inside, there are walking and running trails as well as a meditation garden outdoors (Klein). There are also on-site competitive and non-competitive workday sports leagues that employees can join, as well as a dry-cleaner, car-detailing service, a UPS depot, a book exchange, an in-season tax preparation vendor and an orthotics store (Klein). There are three subsidized cafeterias that serve breakfast and lunches and also provide take-out dinners for when employees don’t want to go through the hassle of making dinner for themselves or their families (Klein). There are also multiple cafes around campus, and kitchens in the office buildings that provide employees with free drinks and snacks (Klein). These snacks vary throughout the week, and provide everything from fruits to pastries (Klein). Outside of the campus, “SAS owns thousands of developable acres and sells employees plots at steep discounts to encourage them to put down roots close to the office” (Lane). Not only does SAS provide great benefits to its employees at work, it also provides the opportunity for employees to shorten their commute by buying cheap land close to the main campus.

SAS’s primary goal is to provide an excellent work environment to its employees, and to minimize the time that employees are away from work by providing everything they may need in one convenient location (Klein). Over 300 reviews on Glassdoor state that the work-life balance at SAS is incredible, which demonstrates that SAS is effectively maintaining a work-life balance for employees (SAS Institute Reviews). To show their appreciation, SAS sponsors events for
families of employees, and offers many different health and educational programs to promote healthy, balanced and satisfied lives in their employees (Klein). SAS founder Jim Goodnight views his employees as long-term investments rather than simply resources at his disposal, and he believes that people work best when they can see themselves at the company in the future (Nurturing Human Assets). Employees take what Goodnight says to heart, because 86% of reviewers on Glassdoor approve of Goodnight as CEO, which means that he believes in and implements his statements (SAS Institute Reviews). Additionally, at SAS they do not micromanage, instead they spend a great deal of time and effort ensuring that their employees have the knowledge and ability to make their own decisions without help from management (Nurturing Human Assets). Furthermore, when an employee is underperforming, SAS takes the time to actually sit down and find out what the problem is, whether or not that person is in the right role, if they need a mentor to help motivate them, or if they need more training in a specific area (Nurturing Human Assets). The general work environment of SAS is extremely employee-focused, which is why they sport some of the best ratings over the last few years in terms of best places to work. Additionally, 74% of reviewers on Glassdoor would recommend working at SAS to a friend, which further demonstrates why the company is rated so highly (SAS Institute Reviews).

Out of all of these companies, Southwest Airlines has the most pronounced company culture, which is directly related to the overall benefits that its employees receive. Southwest prides itself on its three passions, which are “…our performance, our people and our planet” (Klein). The values that Southwest lives and hires by are “A Warrior Spirit, A Servant’s Heart and a Fun-LUVing Attitude” (Klein). They want their employees to work as hard as they can and be the best that they can every day, put others first and treat everyone with respect, to not take
themselves too seriously, and have fun with their job (Klein). The effectiveness of this company culture can also be seen on Glassdoor reviews, where 88% of reviewers approve of the CEO, making him one of the highest rated CEOs of 2017 (Southwest Airlines Reviews). Additionally, those who reviewed the company gave the company culture and values an average rating of 4.3/5, demonstrating that the culture is being implemented throughout the entire company, and not just being talked about at the top (Southwest Airlines Reviews). The LUV in Fun-LUVing is the company name on the New York Stock Exchange, because Southwest wants to encourage an idea of a family within their company, and they want others to know that at Southwest, people love each other (Klein). Southwest Airlines also has nine key company practices, which are: “1) Hire for attitude, 2) Immerse everyone in the culture immediately, 3) Keep ‘em learning, 4) People give as good as they get, 5) Find the kid in everyone, 6) Do more with less, 7) Luv ‘em in tough times, 8) Do what’s right, 9) Nurture the corporate family” (Klein). These nine practices are part of what makes Southwest such a great company, because almost all of these practices are related to the well-being and growth of employees. The organization wants to ensure that their employees are accustomed to the culture, are continuously learning, are being treated in a way that ensures they will perform at their best, are having fun at work and are being treated fairly (Klein). Jody Hoffer Gittell, who both studied and wrote a book on Southwest Airlines called The Southwest Airlines Way: Using the Power of Relationships to Achieve High Performance, has attributed Southwest’s success to 10 different organizational practices, which are: “…Lead with credibility and caring…Invest in frontline leadership…Hire and train for relational competence…Use conflicts to build relationships…Bridge the work and family divide…Create boundary spanners…Measure performance broadly…Keep jobs flexible at the boundaries…Make unions your partners, not adversaries; and build relationships with others on
whom you rely…Maintain financial reserves” (Klein). These 10 practices are what has kept Southwest on the list as one of the best places to work consistently, for these are not simply words on a paper. Southwest has actually implemented all of these practices and continues to do so. Many of these are fairly straight-forward such as “Bridge the work and family divide”, but “Create boundary spanners” may be more confusing. What Gittell means by this is that Southwest has people who “coordinate the work of groups whose knowledge, goals, and status are different”, which in turn helps Southwest have a more efficient operation (Klein). When Gittell says “Make unions your partners, not adversaries”, she means that Southwest does a very good job of keeping strong and effective relationships with their unions, due to the fact that airlines are a heavily unionized industry (Klein). Finally, when she says “Maintain financial reserves”, she’s referring to the fact that Southwest tries to keep their debt low with enough money in reserves so they do not have to resort to layoffs (Klein). These may not sound like benefits in the traditional sense, but they do contribute to the culture of caring at Southwest, which is indeed a benefit to employees. In fact, 85% of reviewers on Glassdoor would recommend working at Southwest to their friends, which says a great deal about how the company treats and cares for their employees (Southwest Airlines Reviews).

Another benefit of Southwest is that they are extremely selective in their hiring process, which means that everyone is highly motivated and readily contributes to the idea of “family” at the organization (Weber). In 2014, employees were surveyed at the company and 75% said that their job at Southwest was a “calling”, and 86% said that they were proud to work for Southwest (Weber). This demonstrates that the company is doing something right in regard to how employees feel about working at their organization. This is also evidenced by the turnover rate at Southwest, which is low for industry standards at only 10% (Klein). The organization also
spends more money on recruitment and training than any other airline, and has an employee to supervisor ratio of 10-1, which Southwest believes helps strengthen the family atmosphere (Gittell). Although it seems as if Southwest is not giving their employees autonomy by having so many supervisors, they justify this because the supervisors work alongside those they supervise, offering encouragement, support, and structure instead of simply giving orders (Gittell). In conjunction with the social benefits that the company provides, there are many other perks to working for Southwest. For example, employees can travel for free, as can their spouse, kids, and parents, and Southwest can provide employees with other discounts on rental cars, theme parks, hotels and more (WorkPerks). Southwest also has an online recognition platform called SWAG, which stands for Southwest Airlines Gratitude (WorkPerks). On this platform, employees, upper management, or even customers can recognize other employees by sending internal thank you notes that the company calls “Kick Tails” (WorkPerks). Through this system, employees can earn SWAG Points and turn them in for rewards such as guest passes for extended family and friends, gift cards, merchandise, or event tickets (WorkPerks). Overall, Southwest invests in their employees by developing a company culture that supports them in a variety of ways.

Finally, Microsoft provides some exceptional benefits to its many U.S. employees. The company offers paid memberships to full-service gyms, or, if employees are not interested in any of their gym options, they will instead give them money to use towards a fitness program of their choosing (Benefits and Perks). Furthermore, the company allows for flexible work hours, which means that employees can design their day around their schedule (Benefits and Perks). For example, employees who are early risers can come in to work earlier than the regular start time of nine, and therefore leave earlier in the day (Benefits and Perks). The company also offers volunteer and gift matching, where employees can donate stock, cash or products to a nonprofit
agency of their choosing, and Microsoft will match it dollar-for-dollar up to $15,000 per year (Benefits and Perks). If an employee volunteers their time in the community, they will donate $25 an hour to the organization they serve (Benefits and Perks). In addition, Microsoft has a center called The Commons that includes a salon, spa, bank, 11 restaurants, a mail center, dry cleaning services, retail shops and sports fields (Benefits and Perks). On the Microsoft campus in Seattle, called the Redmond campus, there are 33 cafes and 500 kitchenettes that include 35 different types of free beverages (Benefits and Perks). They are also “the only ‘3 star green’ corporate dining operation in the world”, which means that their dining options are environmentally sustainable (Benefits and Perks). One of their more interesting perks are the 55 Microsoft Connecter shuttles and bus fleets, which are Wi-Fi-enabled coaches and shuttles that transport employees to and from work in the Seattle area and around campus during work hours (Benefits and Perks). Finally, Microsoft offers their employees multiple different social clubs like soccer or photography, as well as discounts on Microsoft products and more, such as restaurants, spas, travel, pet care, car repair, sporting events, art events and other events (Benefits and Perks).

Microsoft, along with Southwest, has a company culture that supports its employees; for example, a section of their mission statement reads, “At Microsoft we also work to empower our employees so they can achieve more” (Mission and Culture). This is a dramatic shift from the old company culture at Microsoft, which was extremely competitive, and caused difficulties in regard to growth and development (Bishop). The new company culture focuses on the concept of “One Microsoft”, which strives to establish the mindset that the company wants to grow and develop as one, by learning from each other instead of racing to the top individually (Bishop). Undoubtedly due to this culture shift, almost 2,000 reviews on Glassdoor say that Microsoft is
“One of the best places to work for with great work life balance” (Microsoft Reviews). This culture shift has also likely contributed to Microsoft CEO Satya Nadella’s high approval rating of 96% on Glassdoor, and the fact that 84% of reviewers would recommend working at Microsoft to a friend (Microsoft Reviews). This new culture also strives to make the company more diverse, which provides employees with the opportunity to work with individuals who have differing mindsets and ideas (Bishop). These different ideas help spur innovation and growth, which is what Microsoft has openly stated is lacking in the company (Bishop). This new company culture is one of the many reasons why Microsoft is a great place for employees to work. It enables them to offer great benefits in general, and allows for an inclusive and innovative atmosphere.

LEADERSHIP DEVELOPMENT AND CONTINUED EDUCATION PROGRAMS

Development and education programs are a company’s promise that an employee will have a future in the company and an opportunity for career advancement. This promise is not only helpful for employees, but it is also advantageous to employers, because these programs attract more individuals who are motivated to learn, grow, and most importantly, stay with the company on a long-term basis. Southwest, SAS, Lincoln Electric and Microsoft offer a variety of programs and development opportunities to their employees. It should be noted, however, that Netflix, because they offer very competitive wages, gives their employees the task of developing themselves in the manner they choose (Parr). Southwest emphasizes leadership development in one of its 10 primary organizational practices, which were previously mentioned in the section General Work Benefits and Work Environment (Klein). This organizational practice is to invest in frontline leadership (Klein). In fact, Southwest hires more supervisors than other airlines because they want to train them from the start to model behavior that the company wants all of
its employees to adopt (Klein). They also want these supervisors to build their knowledge base about employees, and provide essential feedback to the company about operations and what can be improved (Klein). Southwest also ensures that they are hiring the right people by hiring for attitude (Klein). Therefore, the company won’t even hire you, let alone give you leadership opportunities or leadership development training, if you don’t have the right attitude. (Klein).

In addition to hiring supervisors, Southwest also has its own Southwest Airlines University (SWA U), which is located in a state-of-the-art training facility, and provides employees with the opportunity to receive technical training and personal and professional development training either online or in a classroom setting (WorkPerks). In their Emerging Leadership Development Program, employees are given the opportunity to develop their leadership skills by entering a rotational program, which makes them more well-rounded in every area of Southwest operations (WorkPerks). The Manager-in-Training Programs are more intensive in nature and prepare leaders for the next level through leadership development (WorkPerks). The company also provides leadership training and development for employees at all levels of the organization (WorkPerks). If a full-time employee wishes to go back to school or receive outside skills training, they may be eligible for up to a $5,000 reimbursement annually for graduate degrees, or $2,500 for undergraduate degrees and certifications (WorkPerks).

SAS Institute also counts leadership development among one of the most important parts about working for the organization. As previously mentioned, the CEO of SAS believes that an employee will perform at their best if they can see themselves working there in the future (Nurturing Human Assets). SAS believes that in order to build the strong performance culture that they desire, they need to have leadership development programs available and have employees use them from the beginning (Nurturing Human Assets). In general, the company
spends a great deal of time and energy encouraging their employees to make informed decisions by giving them the capabilities and knowledge to do so (Nurturing Human Assets). For example, SAS is a global company; therefore, they spend resources sending employees abroad to workshops and conferences in order to increase their knowledge in specific areas of interest or expertise (Nurturing Human Assets). In 2016, SAS employees in the U.S. spent 96,950 hours on professional training and development through SAS’s mentoring and emerging leadership programs (Life at SAS). Additionally, SAS has a graduate program where seven recent graduates are trained rigorously for a year in analytics (Nurturing Human Assets). During this time, they are partnered with a mentor to help them develop their skills through training (Nurturing Human Assets). Along with this graduate program, SAS offers tuition programs, technical training, and business development, because they believe that every employee should have the opportunity to grow and develop (Life at SAS).

Lincoln Electric offers a unique combination of training programs, and unlike SAS and Southwest, these programs are offered to individuals who both work in and work outside of the company. Lincoln Electric has the oldest and most comprehensive welding school in the world, which has trained more than 150,000 individuals since 1917 (The Lincoln Electric). This school offers classes that range from “Intro to Welding” to “Advanced Submerged Arc Welding”, and the school provides these classes on a year-round basis with renowned instructors (The Lincoln Electric). Upon graduating from Lincoln Electric’s Welding School, graduates can go on to work for the company, however if they choose to work somewhere else, having taken the class provides an opportunity for fellow welders to network with one another (The Lincoln Electric). In addition to their welding school, the company offers seminars and workshops to train both their own employees and employees from other companies on new techniques, practices and
concepts (The Lincoln Electric). For example, their Blodgett Welding Design Seminar teaches students how to improve productivity and quality while reducing costs through efficient design (The Lincoln Electric). Furthermore, they offer many other seminars to those who teach welding themselves in order to strengthen their teaching skills and knowledge of welding (The Lincoln Electric). Through their school and various seminars, Lincoln Electric provides their employees and others with the opportunity to strengthen and improve their skills, while also allowing them to develop new skills and knowledge in the field of welding (The Lincoln Electric).

Microsoft is yet another great example of a company that prioritizes strong training and leadership development programs. They provide tuition and textbook reimbursement to employees who take approved courses that are work-related (Benefits and Perks). Likewise, they offer professional development classes for both technical and management related development, a library, a visiting speaker series and an event called TechFest (Benefits and Perks). Techfest is essentially an opportunity for employees and guests to see new technologies demonstrated by Microsoft’s researchers, and allows these researchers to network and share ideas with each other (TechFest). Due to the breadth of Microsoft’s offerings, the focus of their human resources policy for leadership and training development will be on the four-part series called “Realizing Potential”. In this series, Microsoft worked with the leadership development company, Bluepoint, to create educational programs containing the following parts: Values-Based Leadership at Microsoft, The Leader Speaks at Microsoft, Strategy and Business at Microsoft and Leading at Microsoft (Microsoft). The Values-Based Leadership at Microsoft is a workshop where leaders within the company are able to examine and compare their own values to the values of Microsoft. (Microsoft). From this examination, they can make an action plan to better align their values if they do not already (Microsoft). The Leader Speaks at Microsoft was a
program designed to heighten the communication skills of leaders in regard to how they communicated the company strategy and direction to others (Microsoft). In the third part of this series, called Strategy and Business at Microsoft, the Wharton Business School ran programs and simulations about strategy and finance for those managers who did not have the financial background that others managers possessed (Microsoft). The fourth part of this series, called Leading at Microsoft, was led by the executive team at Microsoft, and gave leaders within the company the chance to have “a unique insight into leading at the enterprise level” (Microsoft).

Not only does Microsoft provide leadership development for those who are already leaders, but they also provide development opportunities to mid-level managers in the form of the Manager Excellence Initiative (Microsoft). In this program, Bluepoint and Microsoft work with over 2,000 managers to build their leadership skills on the organizational, team, personal and interpersonal levels (Microsoft). Overall, Microsoft offers a wide range of development opportunities for everyone from the technical staff to leaders already engrained in the company.

PROMINENT ISSUES

Overall, Southwest, Netflix, SAS, Lincoln Electric and Microsoft care for and treat their employees better than the majority of U.S. companies. It is important to note, however, that no company is perfect, and each has had its share of negative press. For example, in August of 2016, Southwest pilots picketed at Southwest’s hub at Love Field demanding better contracts and higher wages (Isidore). The union to which the pilots belong had been trying to negotiate a contract with Southwest for two years (Isidore). Over those two years Southwest paid its executives 50% more while also implementing a buy-back of stocks; however, pilot’s salaries have remained the same since 2011 (Isidore). Earlier in August 2016, the pilot’s union and three other large unions called for the replacement of Southwest’s top management due to a computer
glitch that caused the cancelation of over 1,000 flights (Isidore). Glassdoor also offers some insights as to what past and present employees actually think about the company. The most popular topics of concern are a low-starting pay, long hours, and difficulties managing a work-life balance (Southwest Airlines Reviews).

Netflix has also been in the news for their conflicting idea of how great they believe their company culture is, and how employees perceive it as a “culture of fear” (Gobry). According to reviews on Glassdoor, large numbers of employees have complained about how they are only allowed one mistake, and how managers manage by threatening to fire (Gobry). Almost 100 reviews on the website say something akin to “culture of fear”, “constant fear”, or “cut throat” (Netflix Reviews). Due to this culture, there is also a high turnover rate of about 20%, because people are let go if they are not performing to Netflix’s high standards (Gobry). Although this does not sound entirely negative, Netflix should take a step back and evaluate what they are advertising about their company culture, and why so many employees perceive it differently.

Lincoln Electric, a less popular company than Southwest and Netflix, does not have the headline grabbing negative press stories that these companies do. However, by looking at Glassdoor, employees overall complain of a lack of work-life balance, how most of their bonus goes toward their health insurance, and how it can be a stressful work environment due to rotating shifts (Lincoln Electric Reviews). Additionally, only 43% of those who left a review approve of CEO Christopher Mapes (Lincoln Electric Reviews). This perhaps could be due to general frustration towards the company, or it may be because Mapes is a relatively new CEO, having moved into the position in 2012 (Scott). SAS Institute has hardly any negative news available in the press, and amazingly on Glassdoor, the most prominent “Con” listed is that some employees experience difficulties in career advancement (SAS Institute Reviews).
Lastly, Microsoft, being a globally recognized company, has had its fair share of negative press regarding its employees. For example, in 2014 one of Microsoft’s vice presidents, Stephen Elop, poorly handled the layoff of over 12,000 employees by burying the bad news in a memo that was over 1,100 words long (McIntyre). Overall, the memo was full of jargon that lacked sympathy for the employees and tried to avoid the subject of layoffs at all costs (McIntyre). In conjunction with the 12,000 employees laid off from one section of the company, Microsoft was also laying off 6,000 more people as they were in the midst of an 18,000-person layoff in 2014 (Bort). Microsoft also made headlines for its cut-throat “stack ranking” system that it has since done away with (Bort). Essentially with this system “…no matter how well an individual performed, that person might still get a bad review because a certain percentage of folks had to be ranked as bottom performers compared to their co-workers” (Bort). Not only were employees just ranked lower, Microsoft also fired a certain percentage of bottom performers each year (Bort). According to employee reviews on Glassdoor, although Microsoft has tried to implement a culture shift away from destructive competition such as “stack ranking”, it appears as if one of the most popular complaints is in regard to an extremely competitive culture (Microsoft Reviews). Additionally, there are over 1,000 reviews that say there is a lack of work-life balance at the company, which could again be an issue that stems from a failure to fully change the competitive culture at Microsoft (Microsoft Reviews). Although each company has had their fair share of missteps, it should be noted that they are still providing more for their employees in regard to benefits, compensation, and overall work environment than could ever be asked of them.
INVESTING IN EMPLOYEES: WHY IT IS BENEFICIAL

The aforementioned companies and practices are, in many cases, exceptional examples of organizations investing heavily in their employees. However, the concept of human capital investment is not one that other companies should overlook, and the social exchange theory can help explain why. Overall, one of the aspects that these companies all have in common is that they take into account and listen to the needs of their employees, and this is why many of them are frequently listed as one of the best places to work. Although many of these companies demand a higher degree of performance from their employees, the social exchange theory explains why they are able to do this.

In order to have a thriving and well-functioning organization, it is important that employees feel supported and empowered (Hassell). In general, when companies invest in their employees and contribute to their success it can improve morale, increase retention, drive loyalty and boost reputation (Hassell). These are all aspects that companies need and strive for in order to be successful and attract the best talent. Improving morale ensures that the energy of the company is elevated, which gets employees more excited about coming to work (Hassell). By increasing retention, and reducing turnover, not only is the company saving costs by avoiding hiring and training frequently, but they are also creating a work environment where employees feel productive and supported (Hassell). Instilling and driving loyalty in employees ensures that they will feel secure, safe and engaged in their work environment, as well as more accountable for the work they do, which allows the company to have a greater level of trust in their employees (Hassell). Finally, boosting a company’s reputation is important in order to attract the most talented and qualified candidates, and allows the company to select from a deeper pool (Hassell). As discussed, Netflix, Southwest, SAS, Lincoln Electric and Microsoft are all
excellent examples of companies that embody these four qualities. Not only do they promote morale, have high retention rates, loyalty, and great reputations, they also offer their employees more in benefits than many other companies in the United States. In short, it pays for companies to invest in their employees, and that investment will surely be returned.
Works Cited


