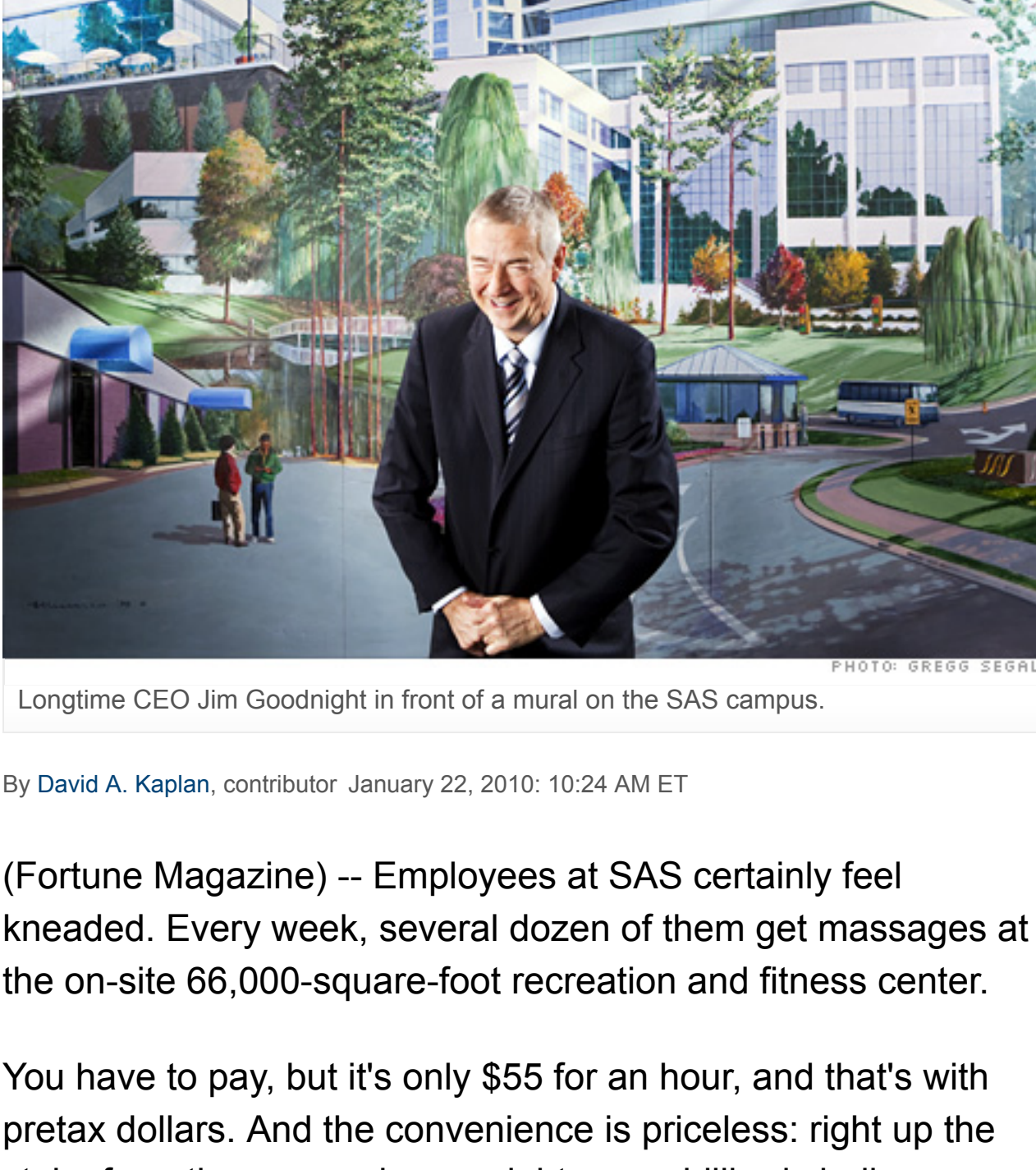


SAS: A new no. 1 best employer



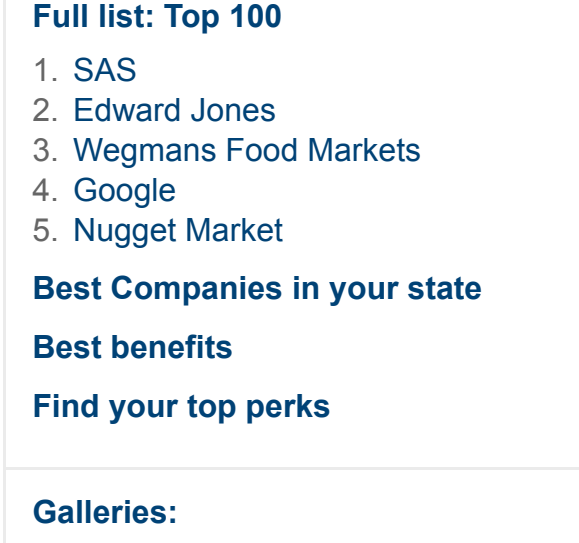
Longtime CEO Jim Goodnight in front of a mural on the SAS campus.

By David A. Kaplan, contributor January 22, 2010 10:24 AM ET

(Fortune Magazine) -- Employees at SAS certainly feel kneaded. Every week, several dozen of them get massages at the on-site 66,000-square-foot recreation and fitness center.

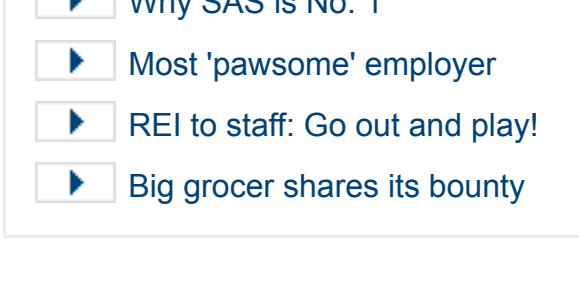
You have to pay, but it's only \$55 for an hour, and that's with pretax dollars. And the convenience is priceless: right up the stairs from the gymnasium, weight room, billiards hall, sauna, hair salon, manicurist, and aqua kickboxing in the Olympic-size pool. (Posted etiquette rules: "A bathing suit is required" and "No cellphones in class.")

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Members of the SAS intramural basketball team that plays during lunch.

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- ▶ Most 'pawsome' employer
- ▶ REI to staff: Go out and play!
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There's classic massage, Swedish massage, orthopedic massage, and myofascial release -- all designed to make workers "more aware of their bodies, move with greater ease and freedom," and "have increased energy, reduced feelings of pain, and feelings of relaxation and well-being."

I don't know much about statistics, business analytics, data mining, or computer programming, but today I'm doing just fine as a fantasy SAS employee. After a hearty breakfast and a brisk walk through the oaken woods of the 300-acre SAS campus near Raleigh, N.C., I'm trying out a hands-on session with Ben Franklin (yes, he's fond of kites), a licensed massage therapist who in a prior life spent 28 years as an engineer at BellSouth.

"I'm focusing on your upper thoracic and cervical areas," he explains to me in a calm voice over the Zen music. "Do you feel the stress leaving your body?" Yup, I do. They surely don't provide this service to me at Fortune -- or at countless other American companies these days.

Though companies in Silicon Valley get lots of press about perk-friendly workplaces, it's here in the less go-go South that employees reign supreme. SAS is not only the world's largest privately held software business -- with revenues of \$2.3 billion, it's about the size of publicly traded Intuit -- but also the paragon of perks.

In fact when Google (GOOG, Fortune 500), a SAS customer, was putting together its own campus freebies some years ago, it used SAS as a model. SAS (pronounced sass) has been on Fortune's list of Best Companies to Work For every one of the 13 years we've been keeping score. But this is the first time SAS is in the No. 1 slot.

While its pampering of employees might give corporate scrooges a coronary, CEO Jim Goodnight says the policies make estimable business sense. "My chief assets drive out the gate every day," Goodnight likes to say. "My job is to make sure they come back."

His motives aren't charitable but entirely utilitarian, even a bit Machiavellian. The average tenure at SAS is 10 years; 300 employees have worked 25 or more. Annual turnover was 2% in 2009, compared with the average in the software industry of about 22%. Women make up 45% of its U.S. workforce, which has an average age of 45.

At 67 and reportedly the richest North Carolinian, Goodnight is the unlikely architect of this rare corporate culture. A Ph.D. in statistics and a onetime professor, he is data-driven, quirky, and not at all what Dr. Phil might describe as touchy-feely.

My souvenir from two days with him was one of his laminated wallet cards, "Dr. G's Blackjack," which charts what to do in any matchup with the dealer. (I also got a reprint of his 1975 classic in *The American Statistician*, "Optimum Zero-Memory Strategy and Exact Probabilities for 4-Deck Blackjack." I'll get back to you after I translate it.)

Many at SAS refer to him as "Dr. Goodnight" instead of "Jim." He uses the campus barber -- "It saves me a 35-minute trip" -- but you won't, for example, find Ben Franklin massaging the "upper thoracic and cervical areas" of his 6-foot-4 frame. Instead Goodnight is probably on the road talking to some of his 17,000 institutional customers around the world, or occasionally via the TV studio on the SAS property. He and his wife, Ann, live on the campus in a stately Georgian brick home, not far from the massive solar farm that SAS built to sell electricity back to the local utility.

Although he's a cult figure of sorts to his troops -- and is known for bringing Bojangles biscuits for everybody on the corporate 737 (Goodnight owns three smaller jets and a helicopter as well) -- his maverick leadership doesn't reveal itself in Jobs-like rallies or Welchian pronouncements.

He's prone to two-word answers, unless one will do. His first love is programming, which he likens to solving puzzles -- and all CEO things being equal, he'd rather be doing that. He's been known to walk out of meetings when "I stop getting anything out of them." On a tour of the campus, he describes the aerobics room as "where people lie around and think about strange things." In magazine profiles, "the lanky, laconic" often seems to appear as Jim Goodnight's honorific. "He's an extroverted introvert," says one longtime employee.

Goodnight says the "wonder" isn't that his company is so generous, but why other presumably rational corporations are not. Academicians confirm that his policies augment creativity, reduce distraction, and foster intense loyalty -- even though SAS isn't known for paying the highest salaries in its field and even though there are no stock options.

The perks are the most obvious manifestation of corporate munificence, but at their core they are only part of a workplace ethos that's based on a degree of trust. SAS employees, without a union, will tell you their neighbors are both curious and envious -- they want to know whether the place is really a country club and, by the way, to whom do I send a résumé? (SAS hired 264 employees in 2009, receiving 100 résumés per open position.)

The notion of easy living frustrates those on the inside. "Some may think that because SAS is family-friendly and has great benefits that we don't work hard," says Bev Brown, who's in external communications. "But people do work hard here, because they're motivated to take care of a company that takes care of them."

Health center, free donuts, and cooking classes

For SAS's 4,200 employees at its hilly North Carolina headquarters (there are roughly another 7,000 employees elsewhere, mostly in other countries), the work environment is preternaturally civilized.

The typical week is 35 hours; no human resources troll monitors sick days (the average taken annually is two); and many employees can set their own schedule. "What we don't do is treat our employees like they're all, you know, criminals," says Jenn Mann, vice president of human resources.

Unless you work at the front gate or in maintenance, nobody much cares whether you show up at 9 or 11. Once you're there, you're not likely to leave for the day -- which is much the point.

SAS, as some have put it, is a "golden cage"; there's a very old cemetery on one corner of the property, so the joke goes that you really never have to depart. There are two subsidized day-care centers for 600 children, and then summer camp. Plus there's dry cleaning, car detailing, a UPS depot, a book exchange, a meditation garden, an in-season tax-prep vendor, and an orthotics store.

There are also three subsidized cafeterias, which serve 500 breakfasts and 2,300 lunches a day -- and provide takeout to bring home for the family; one cafeteria has a piano player, and he takes requests. If you have a child in day care, it's fine to bring him to lunch. Hungry later? In kitchens throughout the 20 nondescript buildings around campus, there are free snacks galore, including Krispy Kremes on Fridays and M&Ms on Wednesdays. To help work off the sweets, there are extensive on-site workday sports leagues.

The best perk for many employees is the centrally located health-care center, which, like other SAS buildings, is set back from giant, colorful outside sculptures. Operating 8 to 6 most days, it has a staff of 56, including four physicians, 10 nurse practitioners, nutritionists, lab technicians, physical therapists, and a psychologist (who will do short-term therapy for such conditions as depression or sexual addiction).

Although you can't get a heart transplant there -- the health center is intended to be a clinic, providing such basic care as allergy shots, pregnancy tests, and blood counts -- with each service costing employees zero, it's an unbelievable deal.

"We don't even have a billing department," says Gale Adcock, the director of corporate health services. "We charge you for one thing -- if you miss your appointment and don't give us notice. That's \$10."

Last year 90% of SAS employees and their families -- Goodnight included -- made 40,000 visits. SAS says the center, with a budget of \$4.5 million, still saves the company \$5 million annually because employees don't kill time in waiting rooms and are more apt to seek care when they should, and SAS's medical care is cheaper than outside the gates anyway. Everybody in America complains about the American health-care system -- perhaps except for employees at SAS.

The adjacent "work/life" and "wellness" centers provide an astonishing assortment of programs that aim to encourage "balance" in one's day. In addition to predictable fare like Pilates and Zumba and partner yoga, there are programs this winter in weight management, smoking cessation, hiking the Appalachian Trail, harmonic sound healing, scent mixology, Wii bowling, salsa aerobics, crock-pot cooking, "dive-in" movies (you watch from a float in the pool), and how to keep a journal. Some of the work/life offerings are available on a dedicated web server, so SAS family members and retirees can listen in remotely.

Off-campus are SAS family nights at the rodeo, circus, and Monster Jam Trucks. Work/life programs also venture into family issues, providing seminars on such topics as adoption, divorce, special-needs children, raising teenagers, and picking a magnet school. SAS has a "caring closet" that supplies wheelchairs and walkers, and even gets consultants to guide families on long-term elder-care issues. Soon -- oh, boy -- is the Valentine's swim! Seventy percent of SAS employees take part in at least one of these activities. The challenge, of course, is actually managing to get your work done amid all this.

Pioneer of 'business intelligence'

Back when Goodnight co-founded the company in 1976, SAS stood for Statistical Analysis System, which referred to esoteric "business intelligence" software created earlier that decade by Goodnight and several colleagues at North Carolina State. Realizing that academe was too limiting for the potential reach of his software, Goodnight left to start the business, of which he still owns about two-thirds.

His sophisticated software initially was designed to analyze agricultural data in order to increase crop yields. These days, SAS says, it's used by 79% of the companies in the Fortune 500, across a range of industries, to mine morsels of wisdom from seemingly limitless piles of data the companies collect.

National retailers use SAS to predict the optimal location for stores, and to determine which products to put in those stores, at what prices, and when. Banks use SAS both to detect money laundering and to reveal who's most apt to respond to a pitch for a new credit card. Insurance companies can flag fraudulent claims with SAS. Pharmaceutical firms can better assess drug trials. Baseball teams can set optimal ticket prices for different games. Government and universities use the software too; the Census Bureau analyzes its data with SAS.

SAS says digital data in the world is quadrupling daily, a tsunami that inundates most companies: Even if they can keep up with it, they may not know what to do with it. The information is no longer just in traditional computer repositories -- items like inventory or sales or purchaser histories. It may now be in patterns of website traffic, search histories, social-network behavior, genome sequences, and visual and audio surveillance records.

For Goodnight -- along with software behemoths like IBM (IBM, Fortune 500), Microsoft (MSFT, Fortune 500), and Oracle (ORCL, Fortune 500) looking to cut into SAS's business -- the proliferation of data is a lucrative opportunity. (Though competitors, all three companies are SAS customers as well.)

With a "billion dollars in the bank" and another big building going up on campus, Goodnight is continuing to invest. In a company of elite quantitative analysts, he devotes more than a fifth of revenue to R&D. For 33 straight years, SAS's revenues have gone up -- reaching \$2.3 billion in 2009, nearly doubling in seven years.

The company relies on no single region: Revenue from Europe, Africa, and the Middle East is about the same as from the Americas. Profit margins are double-digit. Goodnight says the 2009 numbers are a point of pride in a difficult year in which there were no salary increases but also no layoffs.

It may be that such stability and success allow Goodnight to be so free with the goodies, particularly when there are no shareholders to carp. Yet the SAS egg came before the chicken. In its inaugural year, the company established flexible 35-hour workweeks and profit sharing, as well as fresh fruit on Mondays and other employee perks.

Company-sponsored child care started four years later, prompted by an employee who planned to become a stay-at-home mom after her maternity leave. And when SAS had revenue of barely \$50 million in 1984, it began creating the infrastructure of the current culture, with the recreation-and-fitness center and the first café.

"Very early on, it just made sense," Goodnight recalls. Or as he once told someone, "Contented cows give more milk." He also liked the idea of pumping would-be profits back into the company. "I'd rather spend the money on my employees than send it to Washington as taxes."

North Carolinian, through and through

What makes SAS all the more remarkable is where it's located. North Carolina is college basketball, NASCAR, barbecue, and music. While the Research Triangle is an important high-tech engine, it isn't known for nurturing the idiosyncratic. For that you're supposed to go to Silicon Valley, where foosball tables sit comfortably alongside servers, and Frisbee-catching Labrador retrievers run free in the corridors. (Goodnight on why dogs aren't allowed: "Hey, everybody would want to bring in their horses!")

The idea of employee-friendly environs didn't begin in the Valley, but in the public imagination of the place such eccentricities are central (along with a billionaire on every block and a pimply entrepreneur in every garage). When you indulge in the varied menu selections at SAS, or watch teams such as Scared Hitless (volleyball) and I Signed Up for What? (soccer) compete on a workday, you can't help but do a double take to make sure you're not in Northern California.

Goodnight resists comparisons to Silicon Valley. Okay, there are eccentrics, like the employee who uses SAS software to win at the track; Goodnight himself has a world-class collection of rocks and minerals that fills his office and the conference room across the hall. But he says that individual peculiarities hardly make SAS the prototype of Silicon Valley East.

For one thing, his talent is populated with statisticians rather than engineers or MBAs. They're in offices rather than cube farms. More important, he says, he runs a sane shop that disdains dorklike allnighters. While folks check their BlackBerry at home and analysts stay late to meet a deadline, most are home by dinner or dusk in time. If they've grown bored with their job, they have great freedom to move horizontally instead of having to hunt for another employer.

Most critically, Goodnight says his values produce constancy and continuity and commitment; the boom-and-bust cycle is a foreign concept at SAS. Whereas people in Silicon Valley are so often on the make -- ready to join the hottest, coolest startup around the corner, and preferably if it's yet to go public -- SAS employees, gloriously isolated, are typically in it for the long haul.

The majority are North Carolinians. They're old-fashioned. They believe in community (though with 84% of them white, they're not particularly diverse). SAS, says Adcock, "has never been enamored of 'Well, everybody else does it this way, so we're going to do it that way.'" The company has two paid artists-in-residence, the theory being that bountiful art stirs creativity. Without an IPO and stock incentives, SAS workers won't get fabulously rich like the boss, but the alternative compensation is worth it. So, at least, goes the argument -- and at SAS the proof is in the sweet-potato pudding.

SAS actually considered going public in 2000 during the high-tech bubble. It would have brought in billions in liquidity, turned many employees into millionaires -- and it would've made Goodnight one of the richest people in the country. He set the train in motion -- for example, bringing in Goldman Sachs to advise -- but put on the brakes well before pulling into Wall Street.

He concluded the price would be too high -- that he'd be threatening SAS as sanctuary from the madness of public markets. "Matter of fact," Goodnight says, "most public CEOs wish they were private." Few at SAS look back. Goodsee that their boss's calm reaction to the roiling economy of the past 18 months as proof that he was correct to stay private.

Had he not, there probably wouldn't be those celebrated M&M Wednesdays anymore. The SAS tradition began when there were just seven employees. Today, there are jars and canisters everywhere. The candied masses go through 22 1/2 tons a year. That's an average of 11 pounds per employee (half plain and half peanut -- the M&Ms, not the employees). Interns and visiting journalists seem to eat the most. The street value of all those M&Ms is about \$216,000, but the company got them at bulk discount: \$71,225 last year. The bottom line? Working at SAS is a pretty sweet gig.

• 100 Best Companies to Work For

- They're hiring!
- 25 top-paying companies