

III. EVERYONE WINS

A. Employees

1. 150% wage for 120 effort = +30% premium.
2. They like: being on a flawless service team; with other achievers: and being their own boss.

B. Customers - get perfect service from employees who care.

C. Company economics

1. Sales grow faster than industry because perfect service retains old customers at a greater rate and wins new value-buying customers by word-of-mouth.
2. Payroll drops as a percent of gross margin or output; output grows faster than wages, except on the initial upfront investment in this theory.

D. Management and salesforce pro-actively seek growth instead of taking care of turnover, mistakes, and preserving existing volume.

E. Suppliers sell more to a faster growing business.

IV. GUIDELINES

A. For low-end jobs wage-rate is often total compensation and a 130-150% level of guaranteed wages allow people to live a decent life albeit from paycheck-to-paycheck with little extra to save.

B. High-end jobs can pay 100-110% base wage; any extra premium can be from profit-sharing to avoid locking in a high wage structure in tough times. And, high-enders can afford to be at risk for bonus compensation.

V. CHICKEN OR EGG; GOOD WAGES FOR GOOD PEOPLE OR PREMIUM PROFITS.

A. Testimonials: IBM, H.P., Merck, Steelcase, and most other long-term industry leaders have all paid upfront to get quality to create and deliver quality.

B. Small-business, hire-cheap, work-hard can work, but it prohibits delegating to grow past a certain point.

C. Hybrid exception - The McDonald's model.