

# FIRST HAPPY, THEN RICH

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Have you heard the quotes, such as “our most important assets are our people”; “we want to win the war for talent”; “our company is only as good as the people who work here” and similar nonsensical management chitchat? I say ‘nonsensical chitchat’, because there are lots of companies who make these statements, but depressingly few who actually do something about it. After you’re hired, most organisations are no longer much fun to work for. Typically, Friday afternoons are more welcome than Monday mornings.

And this despite the fact that there is good money to be made from happy employees. My colleague at the London Business School – Finance professor Alex Edmans – studied the effect on the share price of a company of being added to the Fortune Magazine published list of “100 Best Companies to Work for”; the companies with very contented employees. The subsequent share price increase of such companies was annually 3.5% higher than that of other companies.

From these findings, one can conclude two things: 1) It works: happy employees lead to higher profits in the long run; 2) The stock market underestimates the effect of happy employees - investors are still surprised by these higher profits, despite the fact that it was common knowledge that this company was a good employer (Fortune’s list is public).

Recently, I visited a company in London, where they take ensuring that their employees are happy extremely seriously; in fact, it is the basis of their business model. Eden McCallum works with about 500 strategy consultants (mostly ex-McKinsey, BCG or Bain), but not one of them is on the payroll; they are all freelance. And because they are all individuals who have other options – in fact, many of them already do other things on the side – Eden McCallum has to truly compete for their time.

So, if an excellent consultant wants to work only 8 months per year? Fine. Only 3 days a week, and not too much travel? OK. Exclusively strategy projects? We’ll arrange it. Eden McCallum is able to build loyalty with very experienced consultants at a reasonable rate, because it is delivering tailored solutions for the individuals. And guess what? Happy employees typically deliver good work: Clients also happy!

Not surprisingly, Eden McCallum is growing rapidly: They are already present on the ‘Zuidas’ and are planning to open their doors in Manhattan. Something of a paradox, that a company without employees should teach us how crucial those employees really are... But is it really surprising? The world’s leading corporations – Pixar, Southwest Airlines, Google – have already been showing us for years that financial success starts with the creation of an environment in which employees really enjoy their work. Get rich by making your people happy; I’ve heard worse ideas.