LEADERSHIP & SUCCESS
In Organizations, Culture & Ethics

Group or horizontal interactions

Marcus O. Durham, PhD
Robert A. Durham, PhD
Rosemary Durham

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        Glen Rose, Texas, taken by Rosemary Durham

TO

Pettie Beason Durham, my Mom, who taught me by getting things done while others were thinking about it.

In Memoriam:
William O. Durham, D. Min., my Dad, who taught me about leadership through example, before I knew its importance. During his youth, because of the Great Depression, he only went through the eighth grade. At age 79, he completed his Doctorate.

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PREFACE

Everything we know is developed from something we have read, heard, or seen. Therefore, these other thoughts necessarily influence what we write. To the best of our knowledge, we have given specific credit where appropriate.

Rather than footnotes or references, we have listed the works that have provided significant information in one way or another, since this is often in concepts rather than quotes.

Statements that are attributed to us are things we have used commonly and do not recall seeing from someone else. Others obviously have similar thoughts. If we have made an oversight in any credits, we apologize and we would appreciate your comments.

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LEADERSHIP & SUCCESS SERIES

Thought
People are where they are
because of the choices they make
MOD

Where we are going _____

How vast is the topic of *Leadership and Success?* How can you benefit from skills in leadership? Can there be success without leadership in some area? Are the principles the same for an individual, a group, or a society? Are the practices the same for an individual, a group, or a society? Is this a topic that can be taught or is it something that is innate? How do you define leadership? What is success?

These are just some of the questions answered in the series on *Leadership and Success*. The topic is too broad for a single book. A series of three volumes provide the foundations for continued personal development and growth.

Each book in the *Leadership & Success* series addresses a different group of topics, each related to your success as a leader. The structure of this series is based on the three areas of leadership involvement: internal development, horizontal interactions, and vertical relationships. The progression of the three books is arranged in the order in which you, as a leader, can have the most impact: people, organization, and society.

The first book, on relationships and communication, deals with individual relationships and how others perceive you. These chapters are primarily involved with areas that you can impact

directly. Relationships and communication is most interesting and intriguing. Think about it. Everything we do is defined by how we interact with others, while the topic of communication includes everything from individuals to presentations and visual cues.

The second book, on organizations, culture, and ethics, deals with the makeup of a venture or association. These chapters are primarily oriented toward optimizing the performance within a group that may be global. Think about it. Our culture is defined by how we interact with others, while the topic of organizations includes everything from businesses to social groups and even families.

The final book, on economics, law, and technology, concentrates on the influences of society and groups outside your sphere. Society includes everything that is outside of an organization. Economics impacts the amount of money in your bank account. This book has practical, day-to-day keys that you can use to make your venture successful.

How is the best way to use the series? Because each is a stand alone work, they can be used individually or as a group. The method depends on the forum and the needs.

The books are structured for seminars as well as personal study. The chapters are configured for a one to one-and-a-half hour discussion. By completing all the activities, most chapters can require three to four hours. Although the combination of books makes an excellent text for a technical and engineering management course or executive development programs, they are beneficial to anyone desiring to improve.

These topics will be approached from the context of communication and relationships, and will follow closely the principles developed in the first book in the series. The remainder of the books will discuss components of leadership and management, and will include people relationships, organizations, and the tools necessary for success. The topics, then, will include both the application and implementation elements of a successful leader or a manager.

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1

LEADERSHIP AND SUCCESS

Thought
*Leadership is
an infectious passion,
a winning attitude,
and right action.*
MOD

Leader or manager? _____

What is leadership? What is the difference between leadership and management? How does leadership relate to the individual?

Would you agree that leadership is often something that you recognize in someone, but cannot quite describe?

Roget's Interactive Thesaurus, First Edition provides the following synonyms for leadership: authority, command, control, conveyance, direction, directorship, domination, foresight, hegemony, influence, initiative, pilotage, power, pre-eminence, primacy, skill, superiority, and supremacy. [Roget]

The book on *Relationships & Communications* focused on developing leadership styles. Now, let us relate that to organizations by creating a working definition.

Leadership is an infectious passion, a winning attitude, and right action.

There is another definition of leadership that is more process related.

> Leadership is the process of influencing more than one person toward a goal.

A manager implements the vision of the leader. A very pragmatic definition of a manager is that he is a leader without the vision or passion. That is not a derogatory comment. Managers are critical to the success of every organization.

Our focus will remain on the overall picture of a leader. Since the manager's function is to execute the plan of the leader, then the same principles apply to managers.

Influence, in itself, does not necessarily mean leadership. There are many situations where influence may be exerted, but leadership may be lacking. Influence may be applied by force of law, by force of position (such as with a supervisor), by influence of a group (peer pressure), or through fear of reprisals. A true leader exercises influence, without the need for any external power or influence.

Tech _____

Due to the rapidly changing nature of technology in today's world, one area that must be addressed is leadership involving people active with technology. Despite the unique nature of technology people, the basic skills remain the same as in any arena of leadership. The major part of this treatise, then, is applicable to all leaders. The principal differences of leaders in a world gone tech are related to the type of people with which a leader will deal in the tech world.

The people that make up a tech world include engineers, scientists, and people that work with numbers. What is different about these people? At their heart, all people are the same, and each is unique.

However, there are some key characteristics that tend to appear more frequently among this group of individuals.

- They have advanced education in sophisticated topics.
- They tend to be fast learners.
- They can absorb facts quickly, but may not readily grasp the broader interactions.
- Often they have focused on technical interests to the exclusion of developing relationship skills.
- They are more affluent that the average populace.
- Because they are creative, they tend to question tradition.
- Conversely, once they have made up their mind, they may be rigid in their way of thinking because they have developed their position with a certain logic.

Would that type of person intimidate you or your ability to lead? It should not. Once they understand the process and what is required of them, tech people tend to be very dedicated and loyal.

Now consider technical people as leaders. Bennett refers to a Carnegie Foundation report using over 30 years of surveys. The report showed that 60% of persons with an engineering degree became managers or businessmen within 15 years. [Bennett].

Cleland and Kogaolu found that 40% of industrial executives and 34% of all top corporate managers in the US have an engineering education. [Cleland]

It is clear that you will likely interact with a technical individual as either a colleague or executive. Regardless of your particular education or position, then, it is prudent to develop those relationship skills that can relate to tech people, as well as to the general populace.

One of the challenges for technical people is the rapid speed with which they acquire information. When training technical people to move into non-technical areas, such as people relationships and management, they tend to grasp the facts very quickly. Therefore, they can appear to know the material, even if they have only surface

information. When teaching them it is important to develop ongoing feedback in order to affirm the application of the information.

Success _____

Leadership is the process of developing and implementing ideas. Each business owner has his own definition of success. Managers, analysts, and non-owners have different perspectives. Therefore, their description will often be dissimilar.

> Success is simply meeting your goals or objectives in a particular time frame.

From my position as owner and developer of several businesses, as well as an educator, success is providing a useful service to clients and making money for the owner.

As a scientist and researcher, I tend to look for patterns of cause and effect to describe and define how things work. This process can also apply to understanding personal relationships and business ventures. A pattern that recurs in every physical system is the triad principle.

> "Any item that can be uniquely identified can be further explained by three components or members."
> - MOD

DOS _____

Based on the definitions of leadership and success there must be a dream, goal, or target. If there is no target, how can you know if you have hit it? There is a familiar acronym left over from the early days of personal computers, which can be applied to success. We will define this acronym, DOS, to stand for Dream – Overcome – Success.

Dream is a vision or passion. It is an objective or target that will take time to achieve. An ancient proverb shows what happens without this target.

"…without a vision, the people perish."
- Proverbs

Overcome is the physical process of getting past obstacles that will come. Every venture, every task, every action has obstacles. The secret to victory was declared by British Prime Minister Winston Churchill during the difficult times of World War II. [Churchill]

"Never give in. Never give in. Never, never, never, never--in nothing, great or small, large or petty--never give in, except to convictions of honour and good sense. Never yield to force. Never yield to the apparently overwhelming might of the enemy."
- Winston Churchill

Success is an attitude. It is a continuing mental process and not an end or destination. It is the continual journey of seeing, striving, overcoming, achieving and seeing again. Success is achieving a goal, and then resetting your vision on a new goal.

Success machine model _____

A control system model, or diagram, can graphically illustrate the interaction and responses to a certain situation. This response can be referred to as your success machine. Proper tuning and fuel for your machine breeds success, while negative reactions and a lack of nourishment cause atrophy and demise. A simplified control system model is shown below.
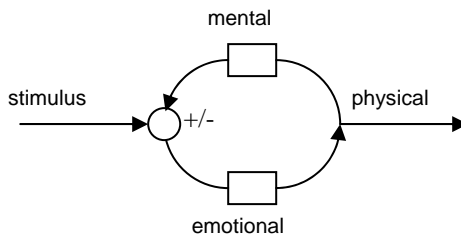
An outside influence, or *stimulus*, stimulates an emotional reaction. The *emotional* response promotes a physical reaction. The *mental*

faculties analyze the result and cause a feedback, or modification of the perception or emotional response.

The three responses, or elements of the control system, can be referred to in a variety of ways..

Emotional	Physical	Mental
Dream	Obstacles	Success
Appetite	Action	Attitude
Passion	Performance	Prayer
Feelings	Results	Spirit
Heart	Hands	Head

The mental feedback is the way you *choose* to act. In any control system, positive feedback causes an expansion that, unchecked, ultimately approaches an explosion. Similarly, negative feedback causes decline until a steady state of zero, or nothing, is reached.

The same is true of your choices. Positive feedback causes growth. Negative feedback causes destruction.

> People are where they are because of the choices they make.
> - MOD

You must feed each of the areas of the control or response system. Without nourishment, that area of your success machine will cease. Some of the ways your can feed your machine are illustrated for each of the control areas.

A dream is the process of feeding the emotions by look, touch, or pictures of where you want to be. It is a reminder of why you are doing what you are doing.

The physical part of the system is the technical aspect of your business or venture. Overcome obstacles by physical action or work. At least once a year, attend and participate in a technical conference related to your field. This not only allows you an opportunity to keep up on the state of the art, but also can provide valuable interaction and networking opportunities.

The mental portion of your success machine is driven by your attitude. Attitude is developed by what you read, what you hear, and with whom you associate. Attending a couple of motivational or sales conferences a year enhances attitude, as does reading and studying books and biographies written by proven leaders. The time and effort will pay tremendous dividends.

   Attitude is what keeps you going when the competition quits.

In all areas, it is imperative to have a mentor that can give you insight into regions that you do not have experience, or in which you need improvement. A personal mentor is fantastic. If that is not available, you must create a surrogate.

Your mentor for each area need not be the same person. In the technical areas of your business, this could be a more experienced, highly skilled professional in the same field. This is often the easiest person to find.

Your mentor for your emotional or mental areas should be similarly skilled and experienced in those areas. Choose people that have success that you can draw from. To learn about attitude, choose someone that has a good attitude. To gain skills when dealing with your emotions, find someone that believes in you and your success, and can help you see where you are going.

Plan _____

Your dream or vision does not change. It is your destination. It may be refined as you gain experience, but the basic objective stays the same.

The plan is the path that you take to get to your objection. It will change. There is more than one way to accomplish any goal. The plan is the process of going over, under, around, or through a challenge.

Consider an example. When I start to go to my ranch, that is my vision. I can travel along many roads. Some are shorter, but have more stops. Others are circuitous, but go around some of the challenges. I do not care what plan or path I use. I simply want to get there with the resources I have available.

The desired route may not be the fastest or the most efficient; it may be the most scenic, the most relaxing, or a route that allows you to accomplish other things along the way. Similarly, the desired path to your goal may not be the one that is the most direct. Other factors such as family, relationships, health, and other commitments must influence the plan.

Technologists tend to choose the most logical, most efficient plan, and stick doggedly to it regardless of changes, challenges, obstacles, or other factors. The key is the ultimate vision. No route, or plan, is sacred.

> If one plan does not work, chuck it. Get another one. Just keep your focus on where you want to go.

Goal setting _____

There is a long-established story about goal setting.

A Yale University study was conducted in 1953. Part of the research asked about goals. Only 3% of the respondents had written, definitive goals. The group was tracked 20 years later. The goal-setting group had more net-worth than the other 97% combined.

Although the original report has not been identified, or documented, the results of the study have been perpetuated in numerous forums, and have reached the point of folklore. In our own surveys with students, we have found similar results.

It is critical that you write down your goals and define a time that you want them accomplished. Often goals are not written because

people do not want to fail Some people consider it a failure if they do not meet the goals in the time frame identified.

If you do not make a goal on time, it is not a failure. It is merely another obstacle to overcome. Goals are a target or process, they are not a destination.

If you do not make the date, you still have the goal. Simply refine the plan and change the date. The goal, the dream, is still unchanged.

> A wag has said if you do not have a target you are sure to hit it.
> - a wag

> People do not often plan to fail; however, they often fail to plan.
> - adage

Universal symbol _____

> What is the universal symbol of measurement? It is the dollar sign ($).

Money is the measurement of the success of a project, organization, or business. If there is no money, then a business cannot complete any of its plans. If your product, service, or ideas are not translated to money, then they have no value in a commercial sense. As a result you will receive no compensation for your effort.

Money is simply a means of keeping score. It is not the reason you start a project. It is not the dream. The dream or vision is what you can do with the money that you earn.

Each relationship is focused in one of three directions. These are internal, horizontal, and vertical.

Vertical

Horizontal
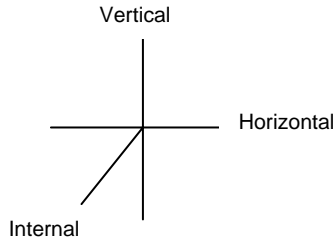
Internal

An alternative diagram conveys the same information.

Vertical

Horizontal
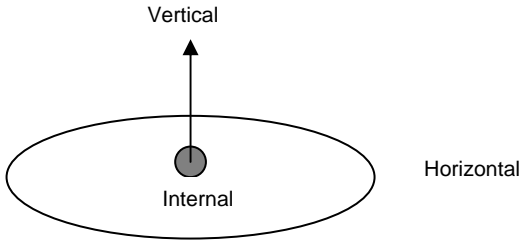
Internal

The respective business functions are technical, sales, and financial.

The internal aspect of a venture is related to the technical characteristics

Businesses are customarily started by techno-leaders. The founder thinks that they can do something better than others, and can be successful doing it. The resulting enterprise is based primarily on their skills. Initially, the technical area is the most crucial.

In order to grow an organization, it is obvious that other areas are equally important. A business can buy technical people, but it cannot buy a vision. That comes solely from the leader.

Sales are about horizontal relationships.

> People do business with people they like and respect.
> -MOD

A group can have the best technical solution and provide the most value for its services. However, if no one knows about the company, or buys the product, then both the client and the supplier lose.

The financial and legal area is related to vertical relationships. It is the process of extracting the most money from the enterprise. If there is no money there is no business.

Even successful entertainers understand the importance of the business aspects of their venture. The king of rock and roll, Elvis Presley, had a lightning bolt with TCB painted on the tail of his airplanes.

> TCB – Taking Care of Business in everything we do.
> -Elvis

It is important to point out one thing related to business. Contrary to popular opinion, commerce is not about making a profit. The tax laws discourage generation of profit. Trade is about creating cash flow. The tax structure is established to encourage business to spend money, thereby creating more money and jobs.

The difference in a wage income and income from a business is illustrated by the ITS equation. I stands for income, T for taxes, and S for spending. A wage earner has income. The first thing that is taken from the check is taxes; he can then spend what is left. The equation is $I - T = S$. A business has income. The company spends whatever is necessary for the business. The business owner is the sole arbiter of what is *necessary* to run his business. The business then pays taxes on what is left. The equation is $I - S = T$.

With the same income, which option gives the owner more available discretionary money?

Relationships

Perhaps the most difficult, but critical, area for success is relationships. As observed earlier, without relationships, there is no exchange, and there is no business.

Techno-specialists tend to focus on their technical skills to the detriment of relationships. In research for a paper on changing paradigms, the authors found that a manager spends less that fifteen percent of the time on technical issues. Eighty-five percent of a manager's time is devoted to dealing with people and money issues. Interestingly, relationships and finance (horizontal and vertical) are the areas that demand more focus and effort, but for which the leader or entrepreneur is often most poorly equipped.

Dale Carnegie wrote perhaps the most popular book ever written on the topic of relationships in 1939. In *How to Win Friends and Influence People* Carnegie gave three basic criteria. [Carnegie]

1.   Never criticize, ever.
2.   Give positive affirmation.
3.   Find what people want and help them get it. In the process you will achieve what you want.

Only 3 negatives _____

As illustrated earlier, positive feedback is critical to success. The majority of this discourse will focus on what is positive, and what you can do to achieve success. Unfortunately, there are three negatives that are imperative for developing a successful venture.

Do not count on one source of income. Have multiple income streams. One may be down while the others are up. Things do change. What goes up will come down.

Do not have partners. Joint ventures or alliances are easier to make and terminate. Everyone has a different dream. Things do change. Others may want to go a different direction after the initial excitement and euphoria of starting a new venture.

Starting is easy. Persistence is what makes winners.

Do not listen to "you cannot do that." It is your dream. It is your passion. Others cannot see it. Dream stealers say get real, quit

dreaming. They have their own passions and do not have the interest or motivation that drives you. You can do it.

Time _____

A very common complaint in any situation is "I do not have enough time." Everyone is given the same 24 hours in the day. It is what you do with those 24 hours that makes the difference.

On one extreme is the procrastinator. He postpones tasks until the last minute. As a result, he and everyone around him is stressed, the results are less than desirable, and the project will likely not be finished on time or with the quality necessary. Frustration and negative feedback often results.

On the opposite extreme is the task-oriented individual who thinks she can do it and crams one more chore into an already busy schedule. An early boss, Col. T. C. Rodebaugh, frequently pontificated, "If you want something done, find the busiest person, and give it to him." This person also experiences stress, but has learned to redirect it. The task will be done. The colonel's comments aggravated me at the time, because I often was "awarded" the task. However, over time, the colonel's position has proven to be correct.

Many leaders fit in the task-oriented style, since they think they can do something better than others. What suffers from this attitude? Relationships are the first thing to go. As a result, the venture ultimately suffers. In addition, the dream that was the leader's drive may be lost in the process.

Very few people fall into the balanced area of effective time managers. These people are the successful individuals who have learned to both balance work and smelling the roses. Guard your time.

Time is the asset that can neither be increased nor recovered.

Aphorisms _____

Aphorisms are simple sayings that have a message. They are great reminders to keep you going to achieve your target. Several of mine have been included in the above information. Consider the following ideas to guide and encourage you in your route to leadership and the pursuit of success.

"Pay now, play later."
- An old saying.

"It is better to wear out than to rust out."
- An old saying my grandfather used often.

"Insanity is doing the same thing over and over again and expecting different results."
- Dr. Albert Einstein

"I am doing a great work, I cannot come down."
- Nehemiah, a wall builder in ancient Middle East

"You will change, if you want to succeed."
- MOD

"The clearer the vision, then the fewer the options, and the easier it is to make decisions."
- Andy Stanley

Make it happen _____

Every venture requires three to five years to develop into a sustainable entity. This is a fact of overcoming inertia and learning the quirks necessary to succeed. There are very few exceptions.

Remember the Pareto principle, or 80/20 rule, discussed in the first book. Pareto was an Italian engineer who migrated into economics and sociology during the later part of the 1800's. He observed that

80% of the land wealth was owned by 20% of the people. He called this predictable imbalance. [Pareto]

His further research and that of others confirmed the general principle. Fundamentally only 20% of any segment will succeed, while 80% will flounder. What you do determines whether you will be the 80% or the 20%. Leaders do the things necessary to be in the 20%. Most start-ups fail in the first year for several reasons.

The first key to success is maintaining focus. After the initial adrenalin rush, the challenges come. During this period the budding leader or entrepreneur can take his eye off the dream. The venture is then dead.

The second success key is adequate financial backing to stay afloat. Financial underpinnings are critical. There is an old cliché about the business golden rule: he who has the gold, rules. Financial investors insist on control. They are aware that technical people and services can be bought.

With the technological life cycle being the same three to five years that it takes to start a viable business, the risk of capital is great. The corresponding expected rate of return is very high. Often entrepreneurial investors are looking for payout in less than one year with 30+ percent return on investment. This can be frustrating to the technical genius that came up with the idea and wants to control his own company.

The third key to success is sales. Successful organizations have traditionally had to spend 25 to 30% of gross sales income on advertising, promotions, and sales effort. As was stated earlier, if no one knows about the product or service, then it, in effect, does not exist. The percentage of revenue related to sales is often a bigger piece of the pie than the innovator gets. Again, this can be frustrating to the entrepreneur who came up with the great idea and started the company.

The common denominator of all of these success keys is adaptability. As was observed earlier, the ultimate key to success is

vision. However, no plan is sacred. It is unlikely that an entrepreneur will be able to see every aspect of a venture with 100% accuracy up front. The ability to change plans, while maintaining focus, is critical to success.

Review _____

In summary, there are 3 points to make a leader succeed.

    Appetite: Keep your focus on your dream.
    Attitude: Smile, it makes everyone wonder what you are doing.
    Action: You can do it.

Application_____

1.   Write three goals you have for the next year?
2.   Write two goals in five years?
3.   Write one goal in 10 years?
4.   What is a good definition of a leader?
5.   What is a good definition of success?
6.   What is the difference in a leader and a manager?
7.   What are the three components of a relationship control system?
8.   What are the three directions of relationships?
9.   What are the three equivalent business functions?
10. What is the universal symbol of measurement?
11. The Pareto principle is also called the _____ rule?

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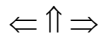
CHANGE: PARADIGM SHIFTS

Thought
*Societal expectations are influenced
by advances in technology.*
MOD

Abstract _____

In order to understand where business is going in the future, it is necessary to examine the history of economic technology. This background necessarily includes a look at the life cycle of technology and extending the life cycle of a business as technology changes.

The next topic to be addressed is the theory of technology growth and its impact on the theory of economics. Costs place limits on technology and constrain its growth. However, the shift in costs from technology efficiency opens new options. People placement becomes one of the more emotional consequences of changes and development.

The shifts are seen in the future of technology and techno-specialists, education, and organizations. This addresses the world we necessarily work in, not the world, as we would like it to be. To survive, it is critical that techno-specialists understand that the technical aspects represent only a portion of time and effort. Skill with people is ever more important.

Introduction _____

A paradigm is a set of rules that define the boundaries of a system and provide the description of the operation within the boundaries. The basic philosophy of a culture or corporation is a paradigm for that particular time.

In many systems, a paradigm may be an unconscious technique. As an example the traditional paradigm for success was go to school, work hard, keep your integrity and you would reap financial reward. This was not a written formulation, but was so accepted by society that anything different was little more than heresy. Even while promoted, that maxim was proven to be full of holes [1].

History _____

Societal expectations are influenced by advances in technology.

Although it is not a complete description, the major technological eras can be summarized into four groups [2].

Nomad independence: In a nomad society, the technology needs are basically limited to tools for hunting, herding, and gathering and to erecting a temporary shelter.

Agrarian economy: Tool requirements extend to cover farming and storage and to erecting a permanent shelter. This era covers most of human civilization.

Industrial revolution: Within a generation during the last century, technology expanded to very large, complex systems requiring multiple workers. Information is controlled by the system owner. Shelter moves past needs to wants, but the location is controlled by the work site. Adequate resources are available for limited saving and planning for the future.

Information explosion: Technology explodes to ubiquitous availability for anyone wanting to learn and willing to take risks. Shelter location can be at the choice of the owner. Resources are available to those that seize the available information.

In a developed society, all these exist simultaneously. Later advancements are simply added options. With each change, it is apparent that the choices are greatly augmented. Nevertheless, not everyone will access the opportunities of the new paradigm because of ties to and dependence on the previous period.

Life cycle _____

Within each technological era, a defined business life cycle follows technology development. Technology is dominant during the birth and period of growth. Management brings in a period of stability and expansion by acquisition. Legal protection and risk avoidance portend the end. The curve can be plotted with money, recognition or some other measure of wealth on the vertical axis, and time on the horizontal [3].

The corresponding technology cycle is proposed. (1) Any new technology begins with a dream, a concept or an idea. (2) As the dream becomes focused, a plan matures and a process forms. (3) During a growth phase, the system has reached critical mass; it can progress merely on its own merits. (4) As a technology reaches maturity, the wealth curve flattens out over the bandwidth of the life cycle. The system is stable enough to be self-sustaining until a replacement technology arrives. (5) The new technology begins to push the wealth curve downward at the roll-off. (6) No new applications exist for the original technology during the satiation. (7) Eventually the plug is pulled for the demise. Figure 1 graphically illustrates the life cycle.
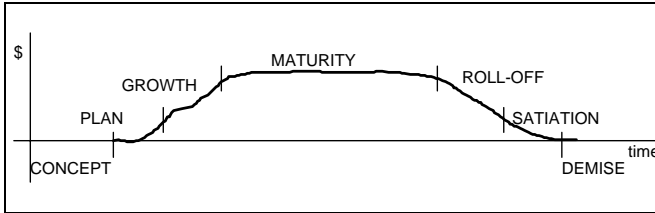
FIGURE 1: Technology Cycle

At the turn of the twentieth century, the productive period of technology could exceed that of one generation. At the beginning of the twenty-first century, technology life expectancy is often less than five years.

Extending the life cycle _____

Because of the transition cycles, few companies can thrive for long periods of time. Two approaches appear to be the dominant models for survival. The first cleans up the old act. The second takes a new tack.

Resurrection: This is not part of the life cycle, but rather is an admirable effort to recapture some of the strength of the dream, stretch the life of the maturity segment, and enhance the life of the organization.

The new corporation is a development to salvage a historical management hierarchy from satiation and demise. The basic premise is to reduce costs and number of people, employ technology where feasible, and focus on a core business. Companies that have effectively changed their organization have been rewarded substantially by the stock market increasing the value of shares [4].

Application technology, such as computers, is used to enhance ancillary performance. New advancements in the core business technology may not occur as they should. Nevertheless, costs will be controlled to the point of extending maturity.

The organizational structure becomes very flat. One designated hitter will have numerous people directly under his authority. The organization again takes on the some of the image of entrepreneurs. Each worker is responsible for his own performance without supervision. A slip-up or political faux pas, and he is out.

Support services consist of a personal computer and voice mail. With the rapid developments, the type of support will change before this paper is published. Technology has been elevated to reduce costs. Many specialized functions, such as design, training, and construction, are out-sourced to specialists.

Network: companies that flourish become managers of technology. The major chore becomes coordination between the three corners of the product triangle - suppliers, marketers, and transporters. The technology is developed and provided by outside sources. The managers develop a distribution system to the client for the product. It may take on a private label or a widely recognized branded moniker. The remaining pin of the triangle is responsive transportation for movement of products and information.

Under this structure, the individual risks are limited. Nevertheless, managers can draw on the financial strength of the suppliers. Different levels of risk are allocated to the independent entities.

The cost of manufacture and product development is concentrated at the most effective source. Cost of customer education and development is located nearest the client. Cost of vehicles and movement is relegated to innovators. Cost of coordination and responsibility for support is concentrated at the manager. Improved cost, service, and access of goods are provided to the client.

Within an information society, this is the optimum system [5]. The techno-specialists in each of the corners of the triangle, the manager, and the client are independent. However, the network shown in Figure 2 makes a winning system for all.
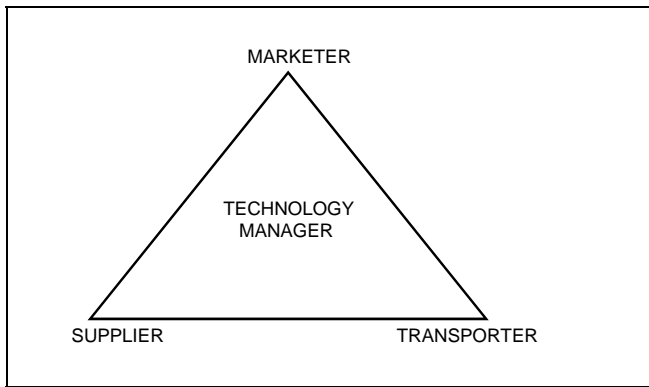
FIGURE 2: *Network for Technology*

Although the support system appears as a triangle, the client sees only a straight line. From his perspective, all the components are collapsed into a telescope under the marketer.

PRODUCT —— MARKETER —— CLIENT

Many unfortunately feel they have no opportunity because there is nothing new to be developed. This concept is steeped in the traditional technology-management-legal life cycle. In reality, 90% of purchases now are for things that did not exist twenty years ago. New ways of doing old things and development of new things are growing explosively.

The major wealth in the past 20 years has come from managing, developing, and applying technology to distribution. This includes directing information, moving products, and supplying transportation.

Theory of technology _____

One of the fundamental principles of science is the conservation of energy [6]. In essence the law simply stated is "the sum of the energy in a system must be zero." A variation can be restated as "nothing can be created or destroyed, it can only change form."

From this basis, every closed, physical system can be identified as a "zero-sum" game. In other words, if there is an increase or winner in one area, then there must be a corresponding decrease or loser in another area. This is a valid observation when the system is completely and adequately defined. Notice that one of the necessary criteria is a closed system. A closed system is completely self-contained without any outside influence. In other words, there is no substantive growth.

This is highly desirable in a control system. Damping is used to force the performance to a stable condition. Stable by definition means there is no building or growth.

A more significant observation is that many systems can be regarded as open. These have a continually changing source of energy that is derived from outside the narrowly defined arena. If a closed system is a "zero-sum" game, then an open system can be described as a "find-more" game.

For example a nomadic society attributes value to hunting and herding skills and equipment. Within the society, he who has the most arrows and can deliver them is the winner. Others lose out on the available game. This is a closed system.

Enter the agrarian society. Game has less significance while land ownership, domesticated livestock, and crops take on a new meaning. The technology advances allow the farmer to achieve a more stable, greater wealth. It is not at the expense of the hunter. The skilled hunter can flourish and maintain his limited wealth without interference from the farmer as long as they avoid the same land.

The society, then, is not a closed, but an archetype of an open system. Outside energy comes from technology development. The technology provides value to items previously without worth.

Within a defined set of conditions, physical systems are closed. However, technology, which is an outside influence, by definition creates an open system for a society.

> Unlike a "zero-sum" condition, many can experience growth and wealth without it being at the expense of others.

This is the model to be expected if the world is adequate for human survival and development.

Theory of economics _____

Economic theory during the span of the United States has been built on the work of Adam Smith in his 1776 tome The Wealth of Nations. He discussed that the individual pursues his own selfish interests. In the process an invisible hand leads to achieving the best good for all. From this comes the philosophy of "what's good for (insert your own) is good for the country."

The theory was replaced by John Mainerd Keynes in the 1930's. The pivotal work was explained in *The General Theory of Employment, Interest, and Money* [7]. Coming out of a depression, he advocated the satisfaction of the consumer. From this theory, once a consumer had the immediate primary needs met, he would quit accumulating. The demand for products would reach a plateau. To keep money flowing, Keynes advocated progressive taxation. The more money a person had, the more he would pay in taxes.

Paul Samuelson reflects the restrictive philosophy in his perennial text *Economics* [8]. "Economics is the study of how people and society choose to employ scarce resources..."

John Kenneth Galbraith had an expanded view in *The Affluent Society* [9]. In 1958, he observed "In the affluent society, no sharp

distinction can be made between luxuries and necessaries." As a result, there is a constant demand for new and better things.

Sixty years of economic experience demonstrates obviously that the basic premise of Keynes is in error. Consumer demand for products is never satisfied. Therefore, the progressive taxation approach must be in error.

The consumer will gather goods until a desired quantity is reached. Then his focus will shift to higher quality. Once that phase of the cycle is begun, he desires a new quantity of the higher quality. The resulting quantity then quality demand creates an unending desire for new things.

The economic alchemist Dr. Paul Zane Pilzer passionately develops a theory of expanded wealth in his watershed volume *Unlimited Wealth* [1]. The early alchemists in their attempt to make gold laid the foundation to modern investigative science. Although a formula for gold was not found at the time, in essence, they achieved their dream to create value where none existed. Alchemists developed the framework for pharmacists, chemists, metallurgists, and engineers.

Building on this definition of scientific development, Pilzer has formulated the three basic tenets of the Theory of Alchemy.

1. Technology is the major determinant of wealth because it determines the nature and supply of physical resources.

2. The advance of technology is determined mainly by our ability to process information.

3. The backlog of unimplemented technological advances (that is, the technology gap) is the true predictor of economic growth for both the individual and society.

The relationship can be stated mathematically. Wealth (W) is the product of physical resources (P) and technology (T) advances to the exponential power n [1].

$$W = P * T^n$$

The theory categorically emphasizes that wealth is not a zero sum game. It can expand. The exponent grows because technology feeds on itself with positive feedback.

Traditionally technology has not advanced very rapidly. Therefore wealth was proportional to the physical resources one could accumulate or control. This carried from the nomadic society through the agrarian society. Technology was virtually flat as shown in Figure 3.
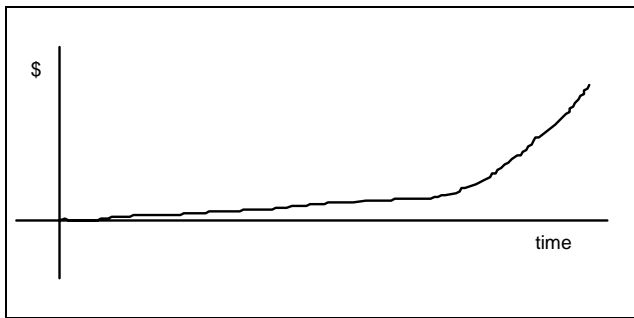
FIGURE 3: *Growth*

Advances in technology brought in the industrial society. Since the growth was slow, the one who controlled technology could control the physical resources and would have greater wealth.

A major paradigm shift exploded in the 1980's. The control on technology was broken. Information transfer was enhanced by the personal computer and the associated paraphernalia. With very little investment and training, anyone could have access to technology.

The present expansion in technology appears unlimited. Later we will illustrate the boundaries on technology expansion.

The major industrial corporations prevented collapse by seemingly endless reorganizations. In reality, people were released from the corporate motherhood.

Ron Coase was a Nobel laureate in 1991 based on a 1931 paper, "Nature of Firms". He proposed that a firm would grow until transaction costs (T) were equal to inefficiency costs (I).

$$T = I$$

Transaction costs are the costs of doing a business. When these are high, small businesses are kept out. Inefficiency costs are the burden added by a large company. When these are high, large companies start a slide.

With the advent of information exchange and inexpensive computer technology, the cost of transactions have tumbled to the point any entrepreneur can profitably develop a business. The very principle that provided the theoretical framework for the mega-corporation, now provides the impetus to the minimal size entity that can successfully network.

Theory of information _____

Technology is inextricably linked to information. He who has control of information, controls technology. We propose a mathematical relationship between the terms

A clarification must be made between data and information. *Data* is raw, often random noise. Data must be filtered to provide valuable *information*. The information must be further filtered to provide *knowledge*. Knowledge that is used is defined as *application*. Figure 4 is a control system model for technology and information.
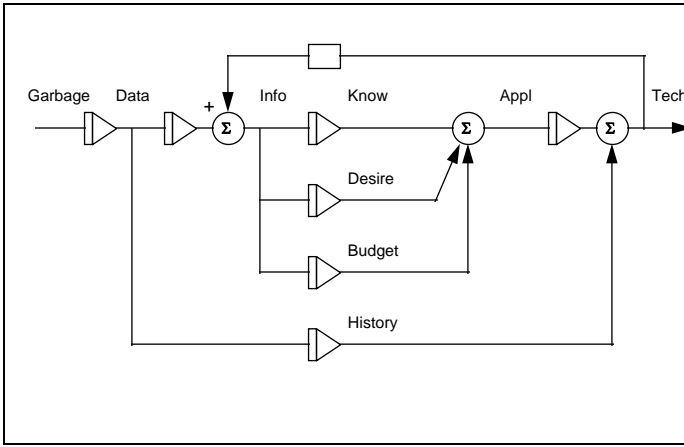
FIGURE 4: *Control System Model*

We have linked the relationship between technology and information, application, and history. Technology is proportional to the acceleration of information, the speed of application, and the changes from history.

$$\text{Tech} = \frac{d^2}{dt^2}(\text{Info}) + \frac{d}{dt}(\text{Application}) + d(\text{history})$$

The equation is similar in form to a standard second order relationship. This is the cognitive or *rational* line contribution. Two other lines contribute. These are the emotion or *desire* lines, and the physical or *budget* lines. The control system representation is shown in the Figure.

If the equation depended on a single basis, then the basis would experience an exponential decay. However, in this relationship, each of the terms on the right side are dependent on feedback from the technology.

Info = Filter1 * Technology
Application = Filter2 * Info

This self-feeding causes a positive feedback growth. Traditional theory indicates this is impossible for a physical system because an explosion would result. In fact, there is an information and technology explosion.

Positive feedback causes growth and expansion. Negative feedback causes control and stability.

Classical control theory dictates stability with no changes [10]. This is required for physical systems. However, it is not desirable for economic systems. To have growth, there must be positive feedback. It is critical that feedback from government, education, and industry be kept positive.

A filter can have multiple effects on the signal. First, the filter may impact the width of the information. This chops off extraneous noise frequencies, and restricts the time response to provide usable value.

Second, the filter may impact the height of the signal. The resistance or opposition will attenuate the level, and restrict the maximum value. This is a passive process. However, an active filter with gain will amplify the maximum value.

Third, the filter may influence the rate of change either as a velocity or a summation. Figure 5 illustrates filter action.
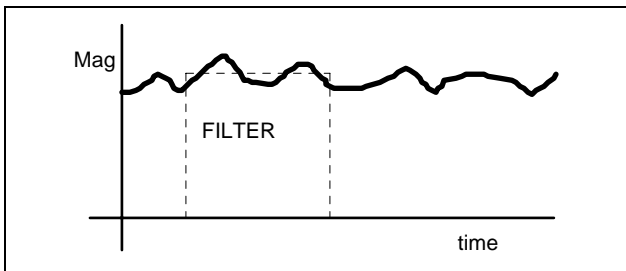
FIGURE 5: *Filter Action*

In reality, the continued growth in technology will be curtailed. Often information is not effectively or accurately transferred. A

backlog will result from applications not being developed to the full capability. Invariably history is not interpreted correctly.

In addition government and social organization tries to regulate to protect an existing interest. As a result, the growth will be stymied.

Limits on technology _____

We propose a relationship for the limits on technology.

Level of technology is limited when cost of technology equals or exceeds perceived value.

Perceived value (PV) is equal to *functional* value (FV) minus the change (*d*) in *manufacture* cost per unit (MC), *business* cost of management per unit (BC), and the *distribution* cost per unit (DC) multiplied by the *number* of units (N).

$$PV = FV - d\,(MC + BC + DC) * N$$

A technology gap (TG) exists when technology can be implemented at a cost (TC) lower than the benefit, but it has not been realized.

$$TC = PV + TG$$

This relationship is the element in the feedback loop on technology.

With these constraints, what is the most effective way to raise the limits on technology costs?

Often the discerned functional value is the item that must be clarified before broader implementation. If functional value is thought to be greater, then perceived value increases and technology gap decreases. Functional value can be raised by items such as increased reliability and added features. Another consideration for increasing value is by education, whether technically or through appropriate advertising. The whole quality issue comes wrapped in the functional value.

The other option for improving perceived value is to decrease the product costs. These include total manufacturing, business, and distribution components.

Shift of costs_____

The efficiency of technology has lowered costs and increased manufacturing performance to the point that the physical costs are a minor component of delivered cost of products. A good quality 15" color television in the 1960's cost over $300. A unit with better performance and more features now costs about one-half that amount in current dollars. It is even less expensive when corrected for inflation. Since inflation has increased by a factor greater than four, the net effect is the electronics are an order of magnitude less expensive.

More significant is where the costs are incurred. The big trade-off is design and manufacturing versus distribution to the market. The historical relationship is illustrated in the Table. Each of the dates represents a time block of approximately five years.

Date	Manufacture	Distribution	Era
pre 1950	4/5	1/5	Resource limited
1965	1/2	1/2	Engineer's dream
1985	1/3	2/3	Reorganize fever
1990	1/5	4/5	Flat society
1995	1/6	5/6	Technology market

The numbers are broad based, high volume units. Even other equipment is impacted to a similar extent. Because of the preponderance of technology, more features are often added to older items at no incremental user cost. In essence, the user is getting more and better equipment, but the cost of manufacturing has not increased.

Since costs of manufacturing and development are relatively insignificant in the later equipment, improvements in that area will provide little product cost relief. The most substantial benefits are realized in using technology to reduce distribution.

The major US retailer has accomplished this by minimizing the number of layers between the manufacturer and the store [11, 12]. Immediate communications are maintained with suppliers by computer links. Improved technology in material handling minimizes stocking. In addition all utilities and heating-ventilation-and-air-conditioning for every store through out the country are controlled from one central location at the headquarters in Arkansas.

A major package express company has accomplished this with a new airline for packages. All items from the central US go to Memphis, TN. There a tremendous sorting system reassigns the package to an exit route. The process is totally automated using programmable logic controllers. All packages are reloaded on aircraft for distribution. A package shipped to an adjacent community will still be routed to the central sorting mall and perhaps returned on the same aircraft. One major difference is the destination of the bag containing the package.

Another major international distributor is using computer networks for links directly with the end consumers. The products are ordered via a computer and modem. An advanced system is being implemented with direct, digital, two-way satellite communication that allows individual product demonstration. The requested item is shipped from a "just in time" warehouse to the customer via a parcel express company. With products from over 450 of the Fortune 500 companies, as well as thousands of other smaller vendors, listed in their system, the distributor has pushed the application of advanced technology to distribution [5, 13].

The major new companies and wealth created in the last two decades have come from organizations that handle information and distribution. None of these are traditional heavy industry manufacturers.

People placement_____

Change is never pleasant. Although someone may consider himself progressive, change creates a difficult situation. Changes provide two choices. Most simply try to *cope*. The alternative is to compare new *options*.

The restructuring of corporations has resulted in many job losses. These are unpleasant for the individuals. Nevertheless, there has not been a substantial change in the over-all unemployment figures. What became of those released from the corporate culture?

The *skilled "blue collar"* troops moved into other jobs. Although the benefit structure may have changed somewhat, the lifestyle often was not dramatically impacted. There remains a gap and need for additional skilled workers, perhaps in a different enterprise.

Unskilled labor encounters a more difficult situation. Since they originally had little performance-based experience, they have no basis for learning a new function or job. The demand for unskilled capabilities is diminishing. The only option is often personal service based. Unless individual motivation and moral responsibility are realized, those in this category are relegated to a greater and growing separation from the rest of society.

The *managers* are more seriously rearranged. There is no longer a need for numerous middle managers. Similar to those without a marketable skill, these often take a lifestyle change. Those that learn and transition to become independent technology managers flourish.

The *technologists* such as engineers saw a different environment. Often they left the company but were hired back as consultants. This out-sourcing of technical requirements is a buzzword of organizationally flat corporations. Others used their skills to begin new enterprises. Typically these practitioners desire a secure environment where they can do their thing without involvement in extraneous activities. However, many find themselves without a

"traditionally secure" job, but with an increased disposable income and more independence.

The release of technology and information has caused phenomenal growth in those quarters willing to evaluate the risks and take advantages of the paradigm shift. It appears that the alchemy theory of economics is at least partially validated.

Two days' articles in a national newspaper give a clue of the new paradigm. "More homes get more than one phone number" indicates the expansion of information [14]. "Energizing the 'Net" gives statistics about the growth of the number of sites on the World Wide Web of the Internet [15]. Figure 6 illustrates the explosive growth in the early days of general application.
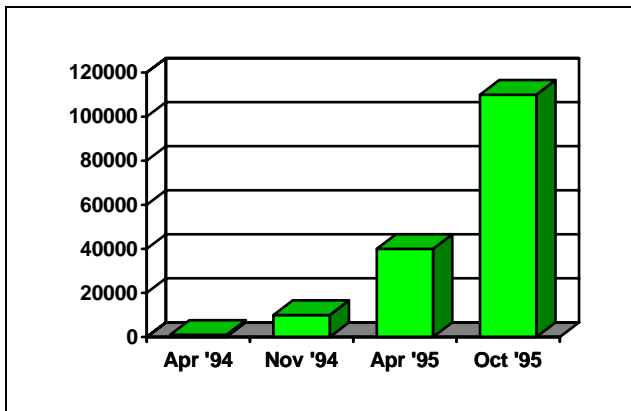
Figure 6: *Internet Connections*

Another article on the same page [16] provides further data, "Software firms tap growth potential." "Cyberspace snares entire town in a net of business opportunity" relates how the town-wide computer network in small, rural Lusk, WY, has expanded global activity [17].

All these articles relate to one thing. It is not computers. Rather it is the release and expansion of information to more people. Technology is no longer in the exclusive domain of managers.

Future for technologists _____

Undoubtedly, the industrial revolution begun over one hundred years ago has advanced past the roll-off phase. As a result the major industrial corporations are experiencing a deterioration of the empire [18]. No longer will lifetime employment with one concern be an option. Furthermore, a lifetime of doing the same thing is no longer possible.

However, that is the good news. Although change is seldom pleasant, the employed will have to adjust to a different role. The unemployment resulting from technology is good for society. When technology replaces a person, it provides more money to the owner of the technology. In turn, more money is available to spend on other non-necessary items. Subsequently, new enterprises develop to support the new life style.

A few years ago, it took five years from conception to development of a viable, marketable product. Now, the life cycle of the technology is less than five years. This imposes unusual pressure to maintain current in the skills. But reality is advanced skills are less necessary than an idea of how to use or apply an inexpensive mass produced component.

With these dynamics, the more successful entrepreneurs may have several separate businesses simultaneously. This provides a broad base to cover alternative impacts of technology changes. One may flourish while the others are in incubation.

The potential for technologists, technology managers, and entrepreneurs are phenomenal. The information transfer makes it possible for those with a dream and a drive to reach fascinating new altitudes. Each can develop his own business where he wants. The information can be transferred anywhere in the world within seconds [19].

How does anyone recognize an opportunity? Three steps provide the key.

1. First look for a wide technology gap between available technology and that implemented by the customer.

2. Second, fill the gap with a technology ready to be implemented. Make the technology as transparent to the user as possible.

3. Third, select a technology solution that can be a building block for other things. For example, a cartridge recorder requires cartridges and programming for the medium.

The greatest asset exists where there is the widest technology gap. However, the gap must result from increasing technology not from a stagnant or decaying society.

One new criterion is imposed on the entrepreneur unlike anything in the past. Although he is independent and may be physically isolated, he is completely dependent on a network. Without others that are aware of his skill, he has no market, nor anyone to market for him.

The network becomes the order of the day in the information society. Engineers will exchange skills with practitioners of other disciplines.

Furthermore, the technologist will become a marketer. Engineers must move from a focus only on technology to a focus on people. Otherwise, there will be no market for his talent.

Although change is seldom comfortable, it provides the opportunity for personal and professional development. The future is bright. The options are exciting.

Future for education _____

Education must undergo a substantial change. The requirements are unusual.

One major concern is analysis of technology. Technology is available with little investment and training. However, this does not necessarily translate into an acquisition of knowledge. Reams of data can be generated and large reports published. However, the reporter often cannot review the results and determine if they are valid. Even for valid information, he cannot ascertain problem areas.

Without an understanding of the underlying basic principle, grievous errors can be created. In the industrial era, technical experts were available. In this era the artificial expert is considered the final authority. Skill is still required to validate the artificial intelligence. Education must focus on the fundamental principles without total dependence on the technology.

A second major concern is relationship with people. A recent investigation revealed the time allocated to tasks for engineers at various years into their careers. *Tech* is used to represent time spent on calculations and tasks relative to technology. *Project* represents time spent on project management, coordination, and people interaction.

Years	Tech	Project
< 5	15%	85%
10	5%	95%
30	2%	98%

Traditional collegiate education spends most of its effort on technical theory. Although it is a requirement to obtain a position, it is not the major factor needed to perform. Furthermore, technology changes come faster than the educator can respond. At best, the educator can hope to teach a couple of basics and how to critically investigate alternatives.

A separation was not made between the other project skills and the people skills. However, discussions indicated that the senior individuals spent over 50% of their time dealing directly with *interpersonal* relationships.

This is a shock to the technocrat. As a group, individuals tend to enter the field because *they would rather deal with things than with*

people. After all, things are predictable according to a formula. People are not.

At first blush, one would expect the information age to be the haven for hiding of the technocrat. The opposite is true. To be effective in this era, everyone must operate within a network of people. That requires very substantial people skills.

Another change necessary in the educational mix is the necessity for continuing education. Because of the dynamics, recurrency training and instruction in new developments and rethinking old problems become a routine part of the work picture. Seminars, short courses, and professional society conferences become the norm and are a crucial component. These even are requirements for many professional registrations [20, 21, 22].

The effective individual has technical skills. These are applied to a distribution network. He has economic and financial skills. These are applied to his wealth. He has people skills. These are applied to his growth network. The skills in each area must be enhanced by continual training.

Future of organizations _____

The effective organization in the information age has a very simplistic, distributed structure. Each segment is independently responsible for maintaining state-of-the-art performance.

1. *Technology* comes from entrepreneurs with a particular niche and creativity. They will constantly be changing their focus to address advances.

2. *Manufacturing* is provided by efficient concerns that service several vendors. Efficiency is determined by time and cost responsiveness.

3. *Marketing* is done by entrepreneurs with a particular niche or clientele.

4. *Distribution* is accomplished by technology managers who develop efficient dispersal networks for products and information.

Each of the entities must develop a support network. Without a large, traditional organization, interdependence will determine the success.

Will major companies exist? Certainly, the group that best manages an emerging technology will grow explosively [23]. However, these will not make long-term commitments to a technology or an employee.

Review _____

A major paradigm shift has occurred in information, technology, and organizations. The acceleration of information and speed of application has caused technology to expand at a near exponential rate. The limit on technology is the perceived cost.

A gap exists between technology advance and that implemented. Most opportunities exist in applying available technology to bridge the gap. The implementation should consider future spin-off and support systems as additional sources of revenue.

Because of the rapid development, the inertia of traditional large organizations tend to make them unresponsive. Hence the organization must be pared to a flat structure. The most effective system is one with a network of independent manufacturers, marketers, and transporters. Effective application of technology in each sector allows tremendous cost benefits.

Techno-specialists typically enter the arena because of an intense interest in things and how they work. Traditional education focuses primarily on these items.

To survive in the rapidly changing environment brought on by their own success, technologists must develop exceptional communications and people skills.

Education systems can complement the advances by focusing on basic systems and development of project and people skills. The other side of the training must include continuing education.

The key is simply a matter of control. The stability of a negative feedback system has been traded for the explosive growth of a positive feedback.

Application _____

1. What is a paradigm?
2. What are the 4 technology eras?
3. What are the 7 stages of a life-cycle.
4. When does the level of technology get limited?
5. What are the two dominant processes or methods of organizational survival?
6. How can you recognize an opportunity?
7. What is the mathematical relationship for economic alchemy?
8. Explain this equation in agrarian as well as information eras.
9. Why is it necessary for a technologist to develop communication and people skills?
10. What is the major way of developing wealth?

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3

NATURE OF BUSINESS

Thought
*The difference between the successful
and everyone else is
what they do after 5:00 PM.*

Background _____

Our economic system is often called capitalism or free enterprise. With that assertion, many assume that everyone understands the nature of business. From the experience of owning several businesses and teaching Economics and Management for many years, I have found that this is not the case. A brief overview of basic concepts and definitions will aid everyone from the neophyte to the mature businessman.

Let us look and think. Are there numerous companies out there? Does this lead you to think that business concepts can be taught? Sure, look at all the on the job training, adult education, schools, and colleges.

When the word "business" is used, most people think of large corporations. Despite this perception, there are typically less than five large companies in any industry segment. In sheer numbers of companies, most are very small with less than 20 people. Because of the huge number of small firms, these "small businesses" provide

the large majority of employment in the United States. [SBA] These smaller companies are the breeding grounds for new opportunities, new technology, and new industries.

How important are small businesses to the U.S. economy? In this definition, a small business is less than 150 employees. According to the U.S Small Business Administration [SBA], small firms:

- Represent more than 99.7 percent of all employers.
- Employ more than half of all private sector employees
- Pay 44.5 percent of total U.S. private payroll.
- Generate 60 to 80 percent of net new jobs annually.
- Create more than 50 percent of non-farm private gross domestic product (GDP).
- Supplied 22.8 percent of the total value of federal prime contracts (about $50 billion) in FY 2001.
- Produce 13 to 14 times more patents per employee than large patenting firms. These patents are twice as likely as large firm patents to be among the one percent most cited.
- Are employers of 39 percent of high tech workers (such as scientists, engineers, and computer workers) .
- Are 53 percent home-based and 3 percent franchises.
- Made up 97 percent of all identified exporters and produced 29 percent of the known export value in FY 2001.

    (Sources: U.S. Bureau of the Census; Advocacy-funded research by Joel Popkin and Company (Research Summary #211); Federal Procurement Data System; Advocacy-funded research by CHI Research, Inc. (Research Summary #225); Bureau of Labor Statistics, Current Population Survey; U.S. Department of Commerce, International Trade Administration)

The purpose of business _____

The purpose of business is to make money, lots and lots of money. More money is better than less, would you agree? Or maybe it is better stated this way. Money is like air, it's not important until you do not have enough. Despite the importance of money to our daily

life, we find that people do things not specifically for money, but for what money can do for them.

Players in a business _____

There are three groups of players involved in any enterprise: the owner, staff, and client. Some would argue that there is another segment for suppliers, but it is more logical to look at the firm as a client of the suppliers, and complete the loop that way.

Owners put up investment capital to start and operate the business. Their expectation is a return on the investment, generally in the form of monetary gain. Without the dream of gain, owners have no motivation to invest into or build a business.

Owners of business fit in three categories: publicly traded, closely held, or entrepreneur. For publicly traded companies, stock is bought, held, and sold by people or organizations that often have no active participation in how the company is operated. The stockholders put up money in a gamble that the stock value or dividends will increase. These stockholders elect a Board of Directors to oversee the use of their investment, and to ensure that the management of the firm operates with the interest of the stockholders in mind.

Closely held ownership resides with a very limited number of people that are often actively involved in the decision making about the direction the company is going. This may be a Partnership, a Limited Liability Company, a Professional Corporation, or a Subchapter S or C Corporation. Oftentimes, the stockholders make up both the board of directors and the management of the firm.

Entrepreneurs start companies and invest money, time, and sweat equity to develop the business. [Kiyosaki] These companies are often Sole Proprietorships, but may take any form, depending on the size of the operation. The key point is that there is a single point of ownership, and this ownership is actively participating in the

revenue generating activities of the organization. The starting point for virtually every firm is an entrepreneurship.

Management or staff trade time for money. Their only hope for additional money is through working more time or through the grace of the owner. [Kiyosaki] Since there is a finite amount of time, income is limited. Owners will only pay the minimum necessary to keep the staff, and to keep them productive. Staff is necessary to the process, but seldom the focus of the owner's activities. It is necessary for the owner to have an amiable relationship with the staff or the company will not be able to function.

Staff may consist of employees or contractors. Employees are aligned with only one company and count on the success of that enterprise. The company not only dictates the end result of what an employee will do, but will dictate the manner in which it is to be done.

Contractors are independent and may work with numerous firms. The company will dictate the end product, but the manner and methods that the contractor uses are of his own choosing. Generally, contractors are paid more money for their service than employees, since they are perceived to have greater risks, and have less security in employment. However, the overall cost to the company is less, since the contractor takes on the costs of benefits, payroll taxes, and the like. Often contractors are owners of their own business (entrepreneurs).

Clients receive goods or services in exchange for money. The client purchases what he perceives is a good deal for him. Seldom is this decision based strictly on price. The choice includes quality, convenience, service, support, previous experience, hope for a future relationship, and finally price. A firm that supplies quality can achieve a greater price for their product than a cheap outlet.

Companies get clients _____

Does every firm that provides a service need people as clients? Advertising is the lubricant for all transactions. It may be achieved in one of three ways - referral, representatives, and mass media.

Referral is by far the most effective advertising technique. Word of mouth costs nothing incremental and is the most credible. It can only come from a previous successful relationship with a client. Even companies that use mass media advertising often use a form of a referral to pitch their product. Whether it is Tiger Woods endorsing Nike [Tiger] or Paul Harvey suggesting Select Comfort Mattresses [Paul], companies know that referrals from people that the public knows and trusts are extremely effective.

Representatives are the next level of advertising. The representative approaches potential clients and expounds the benefit of the particular service they provide. The effort is focused toward a specific target customer. Representatives may be sales employees, contractors, or other firms. Often costs for representation are paid on a percentage of the revenue that is generated.

Mass media is the least efficient technique. The information is broadly dispensed with a very limited response. Print media include newspapers, magazines, and billboards. Electronic techniques include radio, television, and the internet. All these techniques require substantial investment, with no guarantee of a return.

The internet works as advertising ___

The internet is perceived to be less costly than other forms of advertising. However, effective sites are very expensive to develop.

With billions of sites in existence, having a URL or web address is like having a phone number, but no one has a phone book. Virtually every successful site obtains customers from other forms of advertising. Have you become aware of how the internet works? The whole concept of the internet is built on referral. Have you ever

gone to one site, clicked, then gone somewhere else? That is the way the system expands and why it is so effective.

Successful sites get paid to refer or link to other sites. Amazon and Quixtar are the two major players. [Feather] One is a well known name, while the other is completely referral based and privately held. The privately held site is less conspicuous but much more profitable since it teams with independent business owners.

Business makes money _____

There is a very simple formula for making revenue.
    volume / person * number of people = income

That simple relationship describes how most successful companies work. Is a McDonald's restaurant a profitable, successful venture? Of course. Remember, McDonald's had signs stating billions served. Did they get big by one deal, or by a little bit of a big volume? Obviously, they created huge volume with a small margin on each transaction. [McDonald's]

Obviously, if either number on the left side of the equation is zero, then the income is very, very small indeed.

Referral, representatives, or mass media provide the number of people. The system of the company determines the volume for each transaction.

Structure of success_____

Are you aware that there is a common organizational structure within business, military, religious groups, government, and educational institutions? The names of the participants may be different, but the composition is virtually identical. The most common organizational structure is pyramidal in shape with a large base and a single point at the top.

Most of the people in an organization fit into the field category. These people report to a team leader. He reports up the ladder to a group leader. There are fewer people at each level of the ladder until you get to the owner, or owner's surrogate.

The reason that this system is ubiquitous is that it has developed over centuries of use and it works. Each progressively higher rung on the ladder has more responsibility and is rewarded with increasing recognition in the forms of rank, title, and money.

System of business _____

From the marketing perspective, all business ventures can be described in one of three ways - one-of-a-kind, franchise, or direct market. Conglomerates, roll-ups, and broadly integrated companies are at their core an entity that is made up of many ventures, each of which has a company structure that fits one of these three models. The mega-business then is under the umbrella of a single ownership and management structure.

One-of-a-kind ventures have been the system of business for most of history. A company developed a way to do a particular activity and concentrated on conducting that business. There may have been a few satellite operations, but the focus of the business was on the core venture. The firm was wholly responsible for all aspects of the business from development to delivery. The business was very good at what it did, but was limited by transactions that could be performed by one enterprise.

Franchising came along in the 1950's. In the franchising concept, a parent corporation provides a name, training and a system for conducting every part of the business process. The rights to this system are purchased by the franchisee for a substantial amount of money in exchange for the privilege of conducting the business. No creativity and only very limited flexibility is allowed to the franchisee.

Since franchising is more efficient in terms of the cost of each transaction, it is much more competitive than one-of-a-kind businesses. As a result, franchises tend to dominate whatever market they enter. Because of franchise effectiveness, one-of-a-kind ventures tend to fold up their tents unless they can find a niche market. In order to protect all the existing business, the United States Congress considered a law to make franchising illegal. The law came within three votes of passing. Franchising now represents about 80% of all business transactions. Can you imagine our world if this protectionist law had passed?

Direct marketing, personal marketing, contract marketing, or multilevel marketing are various names for the third wave of business systems. Despite its relative newness in the public mind, this is one of the oldest methods of conducting business. In essence, a contractor is hired for a particular job. He then hires sub-contractors who may also take-on other sub-contractors. This practice of contractors is very prevalent in the construction industries. [CII]

Since the 1930's contract-marketing services have been applied to products. [Nutrilite] Contract marketing achieved a significant level of success with the restructuring of the telephone system in the 1980's. There are in excess of 6,000 companies in the direct marketing / contract marketing industry now. The basic concept is each person is an entrepreneur. As with most entrepreneurs, the start up cost is low.

The entrepreneur is responsible for increasing the volume of transactions and services. The growth can be done by personally carrying out the transactions or by hiring other entrepreneur contractors.

Leading universities are now teaching courses on contract marketing as the way to start a new business or when you have a new product to take to market. [King] It is the purest form of free enterprise. The start-up company has fewer employees and limited advertising expense. Those two elements are the responsibility of the marketing entrepreneurs, who are paid strictly on performance.

As with the start-up of franchising, there are new questions to be addressed. People that learn the system and do the right kind of work can become very wealthy and make much more money than the people that hired them into the venture. The potential is virtually unlimited because new products and services are constantly becoming available in the marketplace and new clients are available for old products. This type of business relationship demands more personal commitment and responsibility with the result of more rewards than either franchising or one of a kind business.

What is the relationship between businesses?

The transaction of business involves three activities - manufacturing, distribution, and marketing. At one time, integrated companies incorporated all three activities. As technology has expanded, it has become difficult for one entity to excel in three such diverse pursuits. Many organizations have found it is more effective to specialize in one area and out-source the different functions.

Most money will be made in applying technology to the activity. Manufacturing now represents only about 15 - 25% of most technology and consumer items. As a result, there is more margin for increase in profitability by applying technology to distribution and marketing. The internet plays a vital role in these two areas.

With the growth of high-tech, companies are finding they must develop a way to add high-touch back into the stream. Even internet companies invariably have people for customer support. The network provides the information, or high-tech, but a person is still actively involved in transactions with sites that depend on return clients.

Good business _____

Business associations should be selected on three criteria - knowledge of the business, desire to succeed, and income potential. There are myriad opportunities in today's marketplace. Virtually any concept can work, if it is legitimate and you invest the time, money, and effort to excel.

Regardless of the enterprise, it takes 3 to 5 years to develop most businesses to the point they are stable and self-funding. Most people do not have the diligence to spend that time. "According to the U.S. Small Business Administration, over 50% of small businesses fail in the first year and 95% fail within the first five years" [SBA2]

A question concerning the legitimacy and legality of a business enterprise arises every time there is a new paradigm, or change in fundamental strategy. This is primarily driven by fear of the unknown. Remember the example of franchising. Businesses that are illegal are quickly shutdown by various government agencies or by the marketplace. If the venture has lasted over one year, there is a very high probability that it is legitimate. That alone, however, does not assure that it is profitable.

It is prudent to investigate who the owners and players are in any enterprise. Previous success is no guarantee of future results, but it is a measure of probability of future success. [SBA2]

Fully eighty percent of the items you buy with your credit card did not exist 20 years ago. Since products, technology, and distribution are changing so rapidly, a business that does not change its methods will face demise.

Because someone else did not succeed in a particular enterprise is a good reason you should make an effort to excel. Previous failure indicates there are opportunities for improvement on the system. Those that capitalize on improvements will be the future winners.

In all ventures, remember that the business must be a win-win for both the owner and the client. Otherwise, the product, service,

pricing, or structure of a company must change or it will be forced to exit from the marketplace.

Success in producing income _____

There is no formula that can guarantee success. However the goal of every company is the same. It is a service to the client and wealth for the owner.

The record shows that the more successful people do not count on one source of income. They may have one venture for which they are most noted, but they had others that gave them increased opportunity. [Virtual] One source limits the amount of resources and revenue possible. As noted earlier, an employee's income is limited by time on the job. [Kiyosaki] A one of a kind business is limited by number of transactions. It is incumbent on the successful businessman to have more than one revenue stream in order to achieve any significant level of success.

In reality, the only way to achieve substantially is by owning your own business. There is nothing wrong with being an employee. Employees are very necessary and most people will settle for that position. That situation is also a good way to get experience and training. However, without the effort and risks of independent income, the associated rewards cannot come.

The 80/20 rule dominates again. Twenty percent of the people have 80% of the income. [Pareto] Twenty percent of the 20% have 80% of the 80%. In other words 4 - 5% of income producers dominate the wealth characteristics of any group.

In our society and economic system, anyone can move into the 20% or the 5% if they want. It demands gathering knowledge, having a belief you can do it, and doing the necessary work, but it is simply your choice.

Rules of the road _____

How do you own your own business? That is the American dream. There are many vehicles; however, the principles are always the same.
1. A *mentor* with a proven system helps control the risk.
2. A *network* of people is necessary for your sphere of influence and to provide resources.
3. You must *put into* the venture what you want to get out. That is generally either time or money.

Review _____

Our economic system is often called capitalism or free enterprise. In sheer numbers of companies, most are very small with less than 20 people associated with the enterprise. The purpose of business is to make money or create wealth for the owners. There are three groups of players involved in any enterprise - the owner, staff, and client. Clients are obtained by advertising. It may be achieved in one of three ways - referral, representatives, and mass media. There is a very simple formula for making revenue.

volume / person * number of people = income

The common structure for all businesses is the pyramid. Business ventures are in one of three waves - one of a kind, franchise, or direct market. Business associations should be selected on three criteria - knowledge of the business, desire to succeed, and income potential. In reality, the only way to achieve substantially is by owning your own business.

Application _____

1. What are the three waves of business?
2. Which type of business ownership requires most involvement?
3. Who are the three groups of players involved in any enterprise?
4. What is the simple formula for making revenue?
5. What are the various advertising techniques?

6. What is franchising and what are its advantages?
7. If franchising were declared illegal, what effect would that have?
8. Which method of starting a business is considered the "purest form of free enterprise" and is advocated by many business schools?
9. What 3 criteria should be considered in selecting business associates?
10. What is the key to success for producing more income?

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4

ORGANIZATIONAL STRUCTURE

Thought
A person with a new idea is a crank
until the idea succeeds.
Mark Twain

Pyramid _____

Has the traditional organization outlived its usefulness? What are the fundamental structures? Is there ever a necessity to change the strategy? What happens to people when the structure changes?

First it is necessary to define why the organization exists.

The purpose of an organization is to maximize shareholder wealth.

The definition of shareholders and wealth may differ depending on the owners or the organization. In a business, shareholders are the ones who put up the money and wealth is related to dollars. In a social organization, shareholders are the ones who start or run the organization and wealth is related to fulfilling a need or desire.

Every entity as far back as recorded history has had a hierarchical structure, which implies there is leader at the top. A small number of managers report directly to the leader. Then a staff reports to the managers. The following organization reference is approximately 3500 years old. [Moses]

> And Moses chose able men out of all Israel, and made them heads
> over the people, rulers of thousands, rulers of hundreds, rulers of
> fifties, and rulers of tens.
> - Exodus 18:25

The classic pyramid shape adequately describes the structure of every organization. The difference is what is placed at each level of the pyramid. Those placements are controlled by a number of issues.

Constraints _____

The make-up of an organization varies with a number of situations or constraints. It is crucial to realize the impact of each of these influences

> Organizations change, they are not static.
> - MOD

The constraints on an organization are the same, whether non-profit or for profit, whether a manufacturer or a service. The following portfolio defines the major trade-offs. Each will be discussed in detail.

1. Authority is transferred for the task, communication, and support.
2. Organization functions include production, customers, and support.
3. Management functions are divided into line or staff.
4. Risk management issues are safety, environmental, and quality.
5. Organizational structure is functional, performance, or ad hoc.
6. Individual performance is influenced by education, experience, and creativity.
7. People resources are employee, consultant, or contractor.
8. Value is derived from the trade-off of time, money, and quality.
9. Vision for decisions is short-term, long-term, or ad hoc.
10. Tax implications are capital gains, dividends, and dedicated purpose.

This staccato list includes items that should be considered when developing any effective organization. Since groups are invariably resource limited, optimum performance is only a target. The makeup of the actual organization is a trade-off between items in the portfolio.

The balance of trade-off between these resources determines the success of the organization. A different structure is indicated depending on which measure has primary consideration. An organizational structure simply defines how each of the constraints is connected together.

The effectiveness of an organization is a function of the items discussed in the first book in the series [Durham].

> Effectiveness is a function of leadership, training, character, culture, and communication rather than structure.

Effectiveness is measured by how well an organization's purpose is achieved.

Authority _____

Authority is transferred for the task, communication, and support.

The shareholders possess all authority by virtue of ownership. They take the risk, put up the investment, and expect a reward. Their authority is transferred to a board of directors who are elected by the shareholders as their representatives. The board then selects one individual employee to operate the organization. All authority is vested with this executive officer.

The executive officer uses the organizational structure to transfer the responsibility of developing the tasks of the organization. The structure should also encourage communication necessary to complete the task. Certain functions of the organization lend support to the task, but are not directly related to production. [Bennett]

In the military jargon this is called command, control, and communication. [Defenselink] Intelligence and related functions are support.

Authority is the right or power to influence or command thought, opinion, or behavior. It is the right to act or direct others to act in order to obtain the goals of the grantor of the authority.

The *task* is the objective of the organization. It results in an assigned piece of work. Responsibility is the duty to perform the task.

Communication is the process by which information is exchanged between individuals through a common system. Communication is used in a sense, between people outside the formal authority structure. There is a relationship that exists whether within the structure or outside.

Support includes the administrative or staff functions that keep the organization going, rather than producing the task. Often called overhead, they are a burden on production. Nevertheless, without support staff, the task function is compromised.

Responsibility is the duty that results from receiving the assignment of the task. *Authority* must be transferred down, commensurate with responsibility, so that the task can be accomplished effectively. *Accountability* is the obligation of being answerable for the satisfactory completion of the task. *Influence* is the ability to control others by suggestion or example rather than by direct command. *Communication* is the ability to exchange information horizontally and vertically so the objective can be accomplished.

Many things are implied in the above analysis. They become more important as the structure becomes less representative of the present objectives of the organization. The strengths and weakness of the fundamental structures in accomplishing these interactions are investigated below.

Relationship correlation _____

As we have seen earlier, relationships are three-dimensional.: internal, horizontal, and vertical. Effective communication must also be three-dimensional.

An effective organization will promote three dimensional communication in order to efficiently complete the task. Inefficient managers and organizations attempt to force the communication to pass through channels. This is not the straightest path. This forced communication takes more time, costs more, and loses the quality of the message. All of these results are counterproductive.

In any organizational structure there is the position of authority (A). Reporting to the authority is communication (C), tasks (T), and support (S). It is no accident that these ACTS correspond directly to the personality temperaments and leadership styles previously discussed.

That does not imply that the people with those temperament tendencies should be limited to the corresponding positions. The reality is that the characteristics of an organization become very similar to those of individuals. With training, any personality style can fit into any position of the organization.

Organizational functions _____

Organizational functions include operations, customer relations, and support.

Not surprisingly, the functions of an organization very closely parallel that of the authority for the organization.

Operations are the branch that creates or provides the product or service of the entity. For a manufacturing company, operations make the product. For a service company, operations provide the service. Operations groups spend the organization's resources to create the product, and to generate revenue.

Operations are typically divided into three groups – production, design, and research. *Production* makes the product. *Design* creates the plan and the how to do it. *Research*, or analysis, looks at options, studies the alternatives, and suggests ways to improve. Design and analysis very frequently contain the most educated and technical people in the organization.

Customers are the reason for the business. Without customers, there would be no need for the product, and there is no wealth being generated for the shareholders. Customer relations are the income source for the organization.

Customers exist both inside and outside the organization. Customers, in essence, are the organizations that receive a service.

The customer structure is directed to the external clients. The customer relations branch is typically divided into three groups – marketing, sales, and service. *Marketing* determines what the customer wants, or creates the desire in the customer. *Sales* close the deal with the customer and transfers ownership. *Service* provides support to the customer after the purchase. A key component of service is customer retention.

The customer relations functions are clear for a commercial enterprise, but where do they fit in a social or political entity? Customers for a church or club may be the same as the owners. Sales, then, are somewhat different. It may be in the form of advertising or from recruitment by members.

Sales for the military are three fold. One is to Congress and government for funding. Two is to the public for support. Three is recruiting for new members.

Support provides all the necessary items that keep the organization going. They are specialists in their areas and free production and customer relations to specialize in generating revenue.

Support is typically divided into three groups – accounting, human relations, and risk management.

Accounting keeps track of the money. They balance the accounts between production expenses and customer relation income, which is then reported to the shareholders. If the number is negative, the shareholders must decide to either risk more money or cut their losses and quit. If the number is adequately positive, the organization has fulfilled its purpose.

Logistics or materiel issues are sometimes addressed by Accounting. In other organizations, this function is handled in the operations area. Regardless, the purpose is the same. Materiel is a military term that covers a very broad category which involves moving the items used by the organization. It includes purchasing, maintenance, and transportation of products or services.

Logistics is most often handled under the production function when the organization is dynamic and growing. In that position, it can be most responsive to the organization's core tasks. In a mature organization, logistics is one of the first groups that are transferred during the empire building stage. It often is controlled by the number crunchers in accounting.

Human Relations keeps track of the people. They provide support to the executive officer in terms of who is available and what they will cost. Because of their position in an organization, they are often perceived to be more influential than is reality or necessary.

Risk Management is often placed in the support category. Risk management is a multi-discipline approach for living with the possibility that future events may cause adverse effects. Risk management issues are safety, environmental, and quality.

ORGANIZATION FUNCTIONS
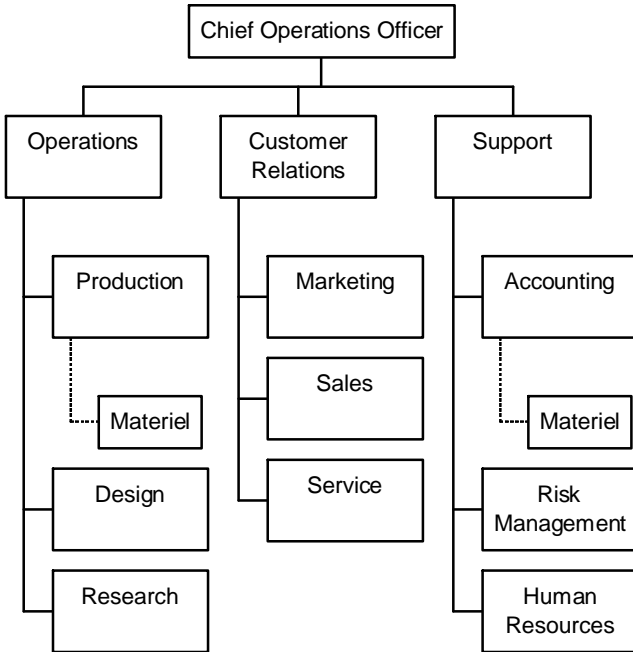
Management functions _____

Management functions are divided into line or staff.

In an organization, management is the avenue of authority transfer. The production and customer relation branches are in the 'line' category. These are directly related to the product. The support branch is the 'staff' category. These are associated with the protection of the organization. The organization is founded to provide a particular task, not to be solely self-serving.

Management within a branch will very often be educated in a related skill set. The line side will involve technical education.

Further education or training may be necessary to provide broadening skills.

Similarly, personnel on the staff side will have specialty training in their field. These skills are not often transferable to implementation on the line side. As a result, management of the line side is seldom vested to a staff specialist. For that reason, technical people frequently migrate into upper level management of growing organizations. As organizations mature and move towards roll-off and satiation, then the empires constructed by staff management reach a critical mass, and those with training in staff areas tend to dominate upper level management.

The line side will always have a predisposition toward the product. That is crucial to the purpose of the organization. The staff side will similarly have a predisposition to protection and being risk averse. This protectionist attitude does not move the organization to make more money, but rather to manage what they have.

The military recognizes the situation. As a result, a staff officer may move up in the staff organization, but cannot attain command over the operational line officers. It is an extreme example, but a medical doctor, attorney, or supply officer is not trained or expected to lead a group into battle. There are exceptions, but this is also a reflection of most organizations we have analyzed.

Risk management _____

Risk management issues are safety, environmental, and quality.

Risk management is a multi-discipline approach for dealing with adverse effects. It is related to the quality of the product and the exposure of the organization. Risk management is the shield for the organization.

Risks are dealt with until they are resolved or they turn into problems. In some projects, major risks are evaluated at the beginning, but on-going risks are almost never properly evaluated.

In these cases, the project becomes a series of firefights rather than an organized attack.

Quality involves technical, economic, and legal issues. Although various aspects of the program are scattered throughout the organization, the focus point has very high-level access to the executive in charge of the organization.

> Quality is the pursuit of excellence.
> - MOD

An entire chapter will be devoted to quality, since it is such an important aspect of an organization philosophy. Quality is simply "doing what you say you are going to do." This is simply integrity.

> Quality is integrity.
> - MOD

Quality may be managed as quality control, quality assurance, or quality integration embedded in the process. The difference in the objectives is subtle, but crucial. Control is primarily striving for a number, such as 99.9% defect free. Assurance is having outsiders overseeing the process, such as having outside inspectors verify the operation. Integration is a way of thinking that makes everyone a part of the standard of doing what you say.

Safety is protection of people in the organization, customers, and society. Safety is an integral part of quality. In the present culture, no safety compromise is tolerated. If there is a safer way and the organization does not use it, there will be a loss of people or money.

> Safety does not cost, it pays.
> - Popular axiom

Environmental issues involve everything from air and water quality to chemical exposure, to the ergonomics of the workspace. Environmental issues can involve quality concerns as well as people, and legal issues. The organization requires certain environmental minimums. In addition, it is precluded from creating other environmental disturbances. It is necessary to assign an

experienced, qualified person or group to this function. Oftentimes, the most qualified individuals are technically trained people.

Although the structure varies from organization to organization, other functions appropriately belong within the risk management group. External affairs or legal keeps track of government and other outside influences that have an impact on the organization.

In the present litigious society, legal issues tend to be very high profile. The public generally does not want to take responsibility for any consequences. As a result, if someone perceives they have been injured physically or economically, and the organization has assets, then a legal action is likely.

Regular council with legal counsel can preclude many challenges. Select an attorney that relates to your organizational objectives. Typically, a very large organization will likely not use a small law firm. Similarly, a small entity would probably do well to eschew large firms.

Media and public relations functions have become higher profile with the proliferation of legal action and the internet. Therefore, it is very important to project the correct image. This requires the technical skill of the image creator.

In addition, public relations often require the ability to handle media events from introducing products, promoting new plants and employment, to answering negative questions. That role generally falls to the senior management. Regardless of how skilled these individuals are in the operations of a company, they can be ineffective in image projection if not trained in the fine art of media and public relations.

Government relation is also an area that even the smallest entity should consider. With the abundance or laws, regulations, registrations, fees, and taxes, government impacts every organization.

It is relatively easy to contact the office of a representative or senator at either the state or federal level. Their objective is a positive relationship with their constituency. They are, therefore, a valuable resource. In addition, it is important to affiliate with professional organizations that lobby for your interests.

Others are taking advantage of government relationships. If you do not, then you are losing competitive advantage.

Organizational structure _____

Organizational structure is functional, performance, or ad hoc.

An organizational chart is the first thing most people think of when describing an organization structure. Although a chart is useful, it does not illustrate every activity, as can be observed from the topics in this and the next chapter. Nevertheless, it is necessary to have a structure for administration purposes.

Organizational structure changes with the strategy of an organization. Since the organization is dynamic, the configuration of the organizational structure should be flexible. The overall philosophy may be consistent, but the type composition and the placement within the assembly will vary.

When discussing organizational structure, every firm and every author creates unique names and descriptions for how their constitution fits together. The framework that we will describe involves only three fundamental structures – functional, performance, and ad hoc. All other names and variations are simply applications to one component of the fundamental structures.

A *functional* organization has similar skills or disciplines sorted into one group. The structure will be similar to the functions shown in the section above. There may be a finer grouping into units such as electrical design, engineering, finance or other entities.

FUNCTIONAL ORGANIZATION

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                        │  President  │
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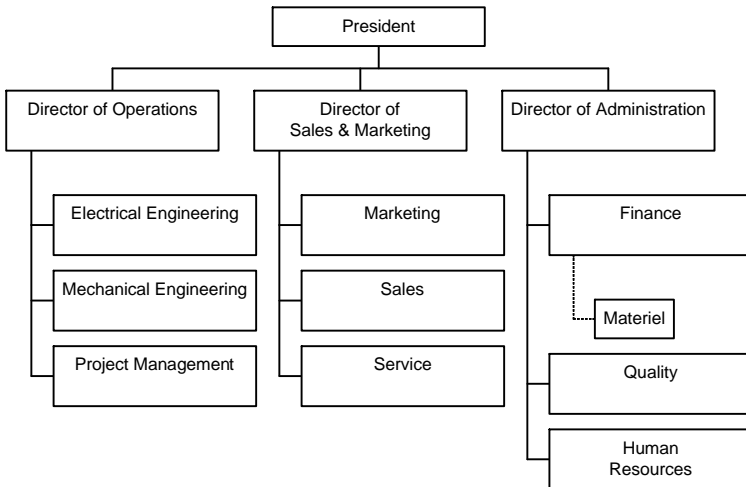
The traditional hierarchical structure tends to be functional. In this type organization, it is common for only three to seven people to report to a single supervisor. Because of the likelihood that the manager and employees will have similar disciplines, this is an effective training structure and can lead to significant supervisory involvement. Authority and communication may be primarily vertical. Support is provided by outside departments.

A *performance* organization is structured to provide all the disciplines and support necessary for a particular task. A product organization or a project-oriented organization may fit within this model. A team-structured organization may also match this model.

In a performance organization, there is less direct involvement from management. The manager will likely not have the same discipline as all of the employees for which he is responsible. This type of organization tends to be flatter, with more people reporting to a single supervisor. Management tends to be by exception: i.e. the work is not directed on a task by task basis, but corrections are made by management only when there is a deficiency. As a result,

each person is responsible for his performance. If he does not meet the standards, he is removed. Communication is primarily horizontal.

An *ad hoc* organization by definition has a temporary character. Many project companies are structured this way. It is also called a matrix structure. This also fits the profile of the throwaway organization.

In an ad hoc arrangement, a person is assigned administratively to one manager. He may be on loan to one or more other project managers to perform the technical tasks.

An ad-hoc structure is very similar to an independent consultant. It is popular because it allows a professional to be shared on multiple projects. There is, however, the difficulty of conflicting interests between the multiple supervisors. This conflict can place stress on the professional. These situations are counter-productive and must be resolved quickly.

The most effective technique is to have a well-defined relationship and job description for all the participants. There should also be active monitoring on the part of upper management to assure an amicable work arrangement.

Review _____

Numerous influences are encountered by an organization in its pursuit of maximizing shareholder wealth. Five of those are discussed in this chapter.

1. *Authority* is transferred for the task, communication, and support.
2. *Organization functions* include production, customers, and support.
3. *Management functions* are divided into line or staff.
4. *Risk management* issues are safety, environmental, and qualtiy.
5. *Organizational structure* is functional, performance, or ad hoc.

Application _____

1. What is a shareholder?
2. What is ACTS as applied to an organization?
3. What is the relationship of authority, responsibility, and accountability?
4. What is three-dimensional communications?
5. Describe the three major organizational structures?
6. What organizational structure expects a person to work on several projects at simultaneously?
7. If effectiveness is not a function of structure, what is it a function of?
8. What does a "series of firefights" represent in project management?
9. What is risk management?

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5

ORGANIZATIONAL RESOURCES

Carry over _____

The previous chapter listed the constraints to developing organizational strategy, as well as the constraints affiliated with structure of an organization. This chapter discusses the constraints associated with human resources and society.

Performers _____

Individual performance is influenced by education, experience, and creativity.

Performance is a measure of meeting the organization's objectives or a measure of the value to the organization. Value can be calculated based on production, people, or any other item. Regardless of the method of assessment, performance is ultimately a measure of money in one way or another.

Just as in other areas, the 80/20 Rule applies to performers. [Pareto] Twenty percent will be top performers. Five percent will excel. One percent will be stellar performers. High performers are outside the mold. The remaining 80% fill the blocks in the organization structure. The eighty percent cannot be eliminated or replaced by other higher performers. They are necessary to provide the framework for the mundane that the top performers will eschew.

Many managers give lip service to performance and claim that they want top performers in their organizations. In reality, most managers are intimidated by high performers and will not do the things necessary to move them and the organization along.

Performance depends upon people more than anything else. Many tools are used to identify which people are better assigned to a task or project. Some of these were identified in earlier chapters and in the first book of the series. [Durham] In addition there are the classic three measures – education, experience, and creativity.

Education is relatively easy to measure. The measures for education can include degrees or training. The amount of time and the quality of the institution are significant factors. Large institutions and well-known names are not necessarily the best indicators. Previous experience with the institution is by far the best measurement.

Experience is more of a challenge to measure. It can be easily correlated with time, but it is difficult to evaluate the events going into experience. Persons that have been in the work place for twenty years can have very different experience.

> Twenty years experience can be one-year experience twenty times or twenty years of different experiences.

Go with the twenty years of different experience. In the technological society, things change. The items used in business now did not exist when I was in college. If a person does not keep up, the experience is of no value.

Creativity is difficult to verify or measure. One that has previously demonstrated creativity with a design or product is generally a good

risk for future creativity. Be cautious, however. Was the previous creativity a one-time event or an on going thought process? Does the technology transfer from the person's previous background to the present situation? In general, the broader the range of experience, the more likely the technology will transfer.

The *Peter Principle* presents one concept for the limit on advancement within an organization. [Peter]

> The Peter Principle is the theory that employees within an organization will advance to their highest level of competence and then be promoted to and remain at a level at which they are incompetent.
> - Dr. Laurence J. Peter

Two scenarios demonstrate common reasons for this to occur. This commonly represents the incestuous relationship that develops within an organization. It arises because people are promoted based on politics, because they are popular, or items other than value to the organization. I have even observed it used to get a less than performing person out of a department. They were promoted into another department with the full knowledge of incompetence. When promotion is based on value, this will not happen.

The other scenario comes from highly competent craftsmen and technical people. They are very skilled in their specialty. The management that is doing the promoting is not skilled in that area, so it is assumed that the skilled person is gifted in all areas, including supervision. A very good backhoe operator is not necessarily a good supervisor.

Knowing the capabilities and personality of the person can preclude this type of limiting promotion. That knowledge necessarily has to involve a profile of the person in their relationships with others. The tools for this analysis were the focus of the first book in this series.

If a wrong promotion decision is made, is it better to ignore it, work around it, or resolve it? In this case, there are two unhappy parties, the one promoted and the organization. A method to permit both parties to save face can be found, if both parties are willing. It may

involve creating another position, or other such creative methods, but is that all bad?

An early colleague had a very succinct observation about performance.

> A person worth six digits as an engineer is worth six digits at any job, including digging ditches.
> - Bryce Talley

The premise of this statement is that a person that is worth any amount of money creates a certain value to the organization. That individual can move into a different position and will soon be worth that amount of money or more. He will creatively find a way to contribute to the point of his value to the organization.

This concept also provides the basis for reassigning people. Organizations are in a constant state of flux. Outside events create openings as well as opportunities. The choice then becomes filling the position from outside or within.

> Move people, a known quantity, rather than hire new, an unknown gamble.
> -MOD

The objective is to maximize wealth. That includes maximizing performance. It is most often easier to know what to expect from a person you already know than from a person you don't. It should be obvious that a person already in the 20 percent category is a better risk for maximum performance than someone who is not.

Conversely, when an excellent performer becomes available, that person should be moved into the organization, even if there is not a position.

> Create a place that will take advantage of the performer.

There are always ample occasions for improvement in any organization. With a sharp eye and awareness of opportunities, the company's objectives are moved along.

A valuable asset is literally invaluable.
- MOD

The major ongoing asset of an organization is its people. Without the right people, nothing else will work.

Unfortunately, many organizations place too little value on very talented individuals because they do not fit a particular mold.
- MOD

That is just the person that should be rewarded exceptionally. They are outside the mold because of their creativity. These are the people who think and operate "outside the box". They are harder to manage, but will contribute much more to the organization's stature.

One of the best measures of value for a performer is outside recognition. Does the person have a good reputation among other organizations or professional societies? If the person is recognized with awards or publications, those are an excellent indication that the person is in the 20%, or even the 5%.

Resources _____

People resources are employee, consultant, or contractor.

As discussed in the previous section, people are the most important asset of an organization. Traditionally, these were employees. However, the marketplace has changed considerably in recent history. These changes were discussed in the chapter on paradigms. This section will compare some of the options.

Corporate memory is a major reason to maintain a significant employee network. Corporate memory is the recollection of previous experiences, both positive and negative. It has substantial value in improving the cost effectiveness of a venture. [Brooking]

Every new venture or project has a steep learning curve, which implies that there is substantial time and money expended to get up to speed on a project. Corporate memory reduces the learning curve.

One way some organizations attempt to control employee expense is to make the organization a profit or cost center. In this model, every department is responsible for selling its services to other departments or occasionally to outside entities. Although that is an appropriate concept, it requires an understanding of cost allocation that is not typically available in traditional corporate settings. That has to do with how many hours that a person can be legitimately billed.

An employee has several items associated with their cost of employment. The direct hourly rate paid to the person is only the first step. Numerous other costs are then added. These include taxes, medical, benefits, and residuals needed to be recovered to pay for vacation and other time off. These additional items typically run from 30 to 60 % of the base pay.

A major component is business development. A consultant cannot bill for all the hours in a week. Some time must be allocated to business development and "free" consulting. Free consulting is that element of time that must necessarily be provided to former and potential clients for what they perceive is small tasks.

An in-house consultant is one that works for the same company or location most of the time. This is actually similar to the status of an employee that is cost centered. These consultants can only be reasonably billed for about 80% of the time. The remaining time is associated with the organizational functions. That is only 32 hours per week. Either the consultant or the organization must eat the remaining time.

For independent consultants who work with a number of clients, the billable time is realistically 600 to 800 hours per year. The remaining time is consumed in development. The hourly rate must be substantially above what an employee is directly paid, just to break even.

Insurance for the firm is another large expense. This typically runs ten to fifteen percent.

An additional item is mark-up or profit. This typically is about fifteen to thirty percent.

For contract employees and in-house consultants, the total multiplier to show actual cost is about 1.5 times the hourly wage. For independent consultants, the multiplier runs from 2.3 to 2.6; or put another way, the consultant's "pay" is only 35% - 40% of what his hourly rate is.

Consider a craftsman, such as an electrician, who is paid $16 per hour. The client would be billed at least $24 per hour to cover other expenses to the contractor.

Next consider a professional who could make $75,000 pr year as an employee. That is the equivalent of $36 per hour. As an independent consultant, the rate would be $36 * 2.5 or $90 per hour. For an 800-hour year, the annual income would be $72,000 per year. Because of expenses, the net income is actually somewhat less than as an employee. There are, however, other trade-offs that motivate individuals to be independent consultants.

The sticker shock for consultants can be intimidating to many organizations, until they realistically evaluate their costs for providing the same service internally. Consulting is so cost effective that it has become one of the preferred formats for obtaining professional services.

Often a company cannot justify a fulltime specialist. In these cases, consultants are the obvious choice. In essence, consultants are independent entities that are cost shared with organizations.

Another key component available from consultants is licenses and permits. The specialist is expected to provide all necessary regulatory qualifications, including professional licenses. This resource is often not available internally.

Experienced consultants charge more for their hourly rate, but their experience requires them to expend less time on a project. The total project cost is often below that for a less experienced and lower rate individual. Additionally, the project time can be much faster.

Frequently, companies will contract for entire organizational functions, rather than just with one person. For example transportation may be outsourced. In this case a new company is embedded within the organization. The cost per person is less than a consultant because they essentially become in-house. With that comes some less flexibility in time and hours.

One of the difficulties with contracting and consultants is the difference in goals. The organization is trying to minimize expense while the contractor is trying to maximize income. This creates an almost adversarial interaction. Another concern is that contracting is generally restricted to a single project or length of time.

A technique that brings the organization and contractor together on the same team is an alliance. There becomes a joint ownership of the project. A new contract or purchase is not required for each new venture.

The alliance separates responsibilities between the parties. Then the alliance contractor is trying to minimize their cost. This should result in lower cost and improved quality to the contractor.

Consultants may even be joined in an alliance. The organization commits to a certain amount of time or income. In return, the consultant lowers the rate and is more available to the organization.

Alliances have proven to be a winning system in the very dynamic technical world.

Value trade-off _____

Value is derived from the trade-off of time, money, and quality.

Every project, every task, every venture, every effort is valued by the trade-off of these three characteristics. Which is more important, time, money, or quality?

> You can have two of the three – time, money, or, quality, but you cannot have all three.
> - An old engineering adage

In reality, you can only maximize one and the others will be compromised. If you want the project quicker, it costs more money or quality will suffer. If you want more money, it will take more time or the quality will suffer. If you want more quality, it will take more time or more money.

This principle also applies to personnel. An organization typically wants to pay the least possible to get the job done. However, looking at the value relationship implies that is not necessarily the optimum scenario for producing wealth.

A leader does not try to maximize time, money, or quality, but maximizes value to the organization. That implies there is a weighting of the relative value for each of the components.

An effective leader can balance the trade-offs. She understands that the constraints vary with each project. In each case, the balance between the three is adjusted to maximize the total value for both short and long term. Both experience and insight are necessary to pull off this competing resource mix.

Vision timing

Vision for decisions is short-term, long-term, or ad hoc.

Vision is what separates a leader from a manager. A vision is knowing where you want to go. Drive is what moves you from where you are toward the vision.

Vision has three time frames. Ad hoc vision takes care of challenges only as they arise. We cannot know what is coming, and most worries never arrive, therefore, take care of what comes up. This is commonly called fire-fighting. It may keep you from burning up, but it does not give you an opportunity to build.

Short term vision is generally associated with the present quarter of the year. The theory is you take care of this quarter. That way every quarter is taken care of. If you try to run a marathon as a 400 yard sprint, you will never finish. This is no longer a vision. By definition, it is not leadership.

The approach has led to economic decisions that build an organization's apparent value quickly. Then the entity is sold to another organization or the public. The short-term promoters build quick personal wealth and leave the pieces for someone else to sort out. That is a little short on the integrity scale. It has resulted in some major debacles in the corporate and social world.

Long-term vision provides a legacy. It was the traditional philosophy that predated the industrial revolution and it prevailed until the 1980's. The concept of companies was to assure the stability and preservation of the organization or project.

The difference in philosophy can be compared by looking at the changes that occurred in one century. The organization of 1880 implied you take care of today and we take care of tomorrow. The organization of 1980 implied you take care of today, there is no tomorrow (quarter).

In the 1880's organizations were very limited, and they provided no security. Most workers were craftsmen or independent contractor oriented. Change began in the 1880s. Fifty years later, after the Great Depression, people began looking for, and getting, jobs at large corporations that were expected to last a lifetime. This peaked after World War II, in the 1950's and 1960's. Permanent employment began to decline in the 1970's during the second depression.

During the 1980's, the dream of ownership grew and the general populace began to play the stock market in large numbers. This drove the attention to short-term or quarterly results. If a company had a bad quarter, then investors made up of the general public, tended to overreact and sell. This was in contrast to being drug down into a failure, as was common in the 1970s. Since tax policy favored capital gains over other forms of income, the result was an attempt to drive stock price up, even at the expense of long-term stability.

This short term mentality peaked in the 1990's with the large number of high-tech IPOs and dot bomb companies. In the early 2000's, tax policies and people's attitudes began shifting again. The largest demographic segment of the US population, the baby boomers, started getting older, and started looking for income generating activities during their retirement years. At the same time, tax policy was modified to encourage dividend payouts over capital gains. As a result, even large growth companies began paying large dividends. The stock market indices stabilized, and companies began to focus on longer-term growth and dividend stability.

What will be the ultimate results of the changes made in the 2000's? It is difficult to say, but it will likely be some repeat of the type of economic structure that existed in the early 1900's soon after the industrial revolution.

When compared to a control system, the relative impact is apparent. Short term is unstable. Long term provides institutional memory and stability.

The record is clear. Organizations that are ruled by the quarterly position are doomed to a very short life. Someone with a longer view will defeat them in the marketplace.

The goal of vision is to know what are the options now, so the leader can exercise them when they are needed.

Tax Implications _____

Tax implications are capital gains, dividends, and dedicated purpose.

Taxes are a burden that is placed on an organization as a hidden penalty. A colleague, former co-author, and friend has a succinct analysis of taxes.

> Companies do not pay taxes, people do.
> - Lynn Boyer

Firms are driven to maximize shareholder wealth. The owners expect a certain rate of return on their investment. If they do not get it, they will take their money elsewhere.

Therefore, when a tax is placed on a company, the tax is passed on to the consumer through increased cost of products. As a result the customer is really paying the tax rather than the firm.

Since individual taxes are very obvious and unpopular, government officials try to subdue the impact by taxing someone else. The problem is the taxes are just passed through in one way or another.

Three categories of taxes are placed on organizations – capital gains, dividends, and dedicated purpose.

Capital gains are the increase in value of the firm. An investor puts money into a firm. If he later sells his investment and recovers more money than he paid, that is a capital gain.

Dividends are money paid to investors as their share of the profits, if any. A savings account pays a certain interest rate that is known going into the transaction. A dividend is only paid if the business makes a profit. It has higher risks, therefore investors expect higher rewards.

The argument for both capital gains and dividends taxes is that the investor made money without doing anything for it. That is

fallacious. The investor put up money he had saved and took the risk that its value may actually go down. Since many new businesses fail within the first three years, failure is a very real risk. Of the thousands of businesses that exist, how many can you name that existed one-generation (40 years) ago?

Both these taxes in essence penalize the investor for taking a risk and putting money into a company. There is an additional hickey on dividends. An investor must pay taxes on dividends. If the company, and the owners are also is taxed on dividends, in essence that is double taxation on the same amount of money. There has been some effort by conservative government representatives to reduce dividend taxes so that more investment would occur. However, it is difficult for most government entities to relinquish any tax.

The dedicated purpose tax comes in myriad forms. It may be on the value added to the materials going through the company. It may be on property. It may be on an industry. It may be a franchise permit. It may be to fund a social program. Regardless of the form, all these are an effort to extract money with the least political fallout.

A certain amount of money is necessary for government to survive. The task is to derive that money with the least complaint. If it can be diverted to business, then the public does not perceive what is happening.

The tax laws are major determinants in how an organization is structured and how business decisions are made. More frequently than not, the successful manipulation of the maze of taxes is more economically beneficial than improvements in product sales or performance. [Businessweek]

The value of an investment is influenced by the increase in capital gains and the ongoing dividends. An investor can trade-off one for the other in his quest for a rate of return on his investment.

When taxes are increased on dividends, the only way to increase the value of investment is to make the capital gains increase. This forces the short-term vision observed in the previous section. As a result,

stock value is inflated by short-term actions that will cause a slide in the value later. This turns the investment into a game of timing who gets out with money and who gets hurt. In addition, the capital gains scenario contributes to inflation on public money.

When taxes are increased on capital gains, it is not lucrative to increase the value of the stock. Therefore dividends are used to pay the investor. This creates stability, but discourages investments that can cause growth.

Which is the best solution? Although it is politically unpopular, tax the individuals at a flat fixed percentage for all money that comes through their accounts. That will recover tax from the business process since profits are disbursed to the owners. In turns it leaves the business to be more creative in new product and job creation. That provides more employment, which yields more tax revenue. [Friedman]

Functions together _____

The objective of an organization is to maximize the wealth. In two chapters numerous issues have been identified which place constraints on achieving the goal.

Regardless of the ownership or the product, all organizations have the same basic areas to address. Some components play a bigger role than others. Nevertheless all must be considered. The first group has to do with the internal workings of the entity.

1. *Authority* is transferred for the task, communication, and support.
2. *Organization functions* include production, customers, and support.
3. *Management functions* are divided into line or staff.
4. *Risk management* issues are safety, environmental, and quality.
5. *Organizational structure* is functional, performance, or ad hoc.

Review _____

The resources available to an organization depend on the philosophy and outside influences. There are five constraints in this chapter.

1. *Individual performance* is influenced by education, experience, and creativity.
2. *People resources* are employee, consultant, or contractor.
3. *Value* is derived from the trade-off of time, money, and quality.
4. *Vision* for decisions is short-term, long-term, or ad hoc.
5. *Tax implications* are capital gains, dividends, and dedicated purpose.

Application _____

1. What is performance?
2. What are three constraints on performance?
3. How is creativity measured?
4. Which tools are used to identify which people are better assigned to a task or project?
5. What are two reasons for the Peter Principle to occur?
6. What are the resources for people in an organization?
7. What is the difference in a consultant and an employee?
8. Who pays taxes? Who pays 80% of the taxes?

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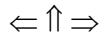
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6

PURPOSE, VISION, PLAN

Purpose, vision, plan _____

Do organizations just happen or can they be planned? Who is involved in developing an organization? Is there any difference in structuring an organization and managing a project?

Small companies of less than 50 employees provide ninety percent of jobs; therefore, the development of a small company is appropriate to discuss for most people. Large companies are really not much different, particularly if each organization within the company is responsible for its own survival.

The structure of a company changes as the marketplace changes. Three components provide the basis for the direction of a company - purpose, vision, and plan.

The purpose is the will or drive of the organization. It is why the entity exists. The purpose statement should be a concise definition of the reason. Although the fundamental purpose of all organizations is to create wealth for the stakeholders, the purpose

for a specific firm involves why that vehicle was selected. It will typically include the preposition by. For example, "The purpose of this organization is to maximize stakeholder wealth by selling widgets." The purpose statement is even required by some states for business filings. [BFI] The purpose is developed by the owners or their surrogates.

Rather than a purpose statement, many firms use a mission statement. Unfortunately, the mission statement for most companies is generally not concise, but rather a collection of feel-good ideas for the employees. [Radtke]

An organization's vision is the perception, the view, the dream, the wisdom, the intellect, and the mental image. It is where the firm is going. It is a clear definition of the destination of the company. The vision is a clear, concise statement that declares where the leader wants to take the organization. The vision is developed by the leader.

The plan is the procedures that will be used to implement the purpose while going toward the vision. The plan is how the basics of the industry are implemented. Planning involves developing a consistent pattern for all the players to follow. The plan is for the manager to implement.

Although the plans may be changed as situations change, the process of developing a plan is very important. The process forces the participants to think through options and eliminate known risks.

On the way toward the vision will be several goals, waypoints, or checkpoints. These are measurable items that everyone in the organization can see and know. If a waypoint is missed, it is not the end of the vision. It is simply a time to check what needs to be modified.

To achieve the milestones or waypoints, there are the fundamentals or basics that each person must do. This goes back to the Carnegie principle. [Carnegie] Rather than tell the worker what to do, it is

better to find his desire or want. Then help him to find a way to get there, as a result the leader will have his objective.

A very simple illustration relates the difference in the terms. The purpose is to get food. The vision is the store. The plan is the route to get there. The waypoints are the street intersections.

Consider a sports team as an example. The purpose is to get satisfaction by playing ball. The vision is to be division champions. The plan is each person must consistently perform basic tasks such as blocking, moving the ball, and running. No one is expected to do all the tasks exceptionally. However, if each member of the team does his task well, then the entire organization wins. The waypoints are winning game 1, 2, and so on as the leader directs the team toward the championship game.

Military discipline _____

How does the military create discipline without negatives? How is it possible to get someone to be willing to put his life on the line for someone else or for a cause? If we can understand and apply these principles, then any organization can use them for success. [Army]

Like all the other topics, there are three components. All three are required to be in balance. One cannot be traded or shorted at the expense of another.

1. *Clear vision*. The physical aspect is clear leadership, clear authority and a clear destination.

2. *Common purpose*. The emotional component is team, peer pressure, and "no one goes unless all go."

3. *Positive attitude*. Everyone will succeed. Keep training until every person does it exceptionally.

The success of these techniques is manifest in the structure of the various military organizations in the world. Each country's military is formed in one of three ways. The results are self-explanatory.

1. *Volunteer.* The United States has an all-volunteer military. Incentives are provided to encourage people to join. Nevertheless, the people are there by choice, because they want to be. The discipline principles are doggedly implemented. As a result, the US military is the most disciplined, best trained, most motivated, most powerful, most successful military in the world.

2. *All citizens.* Israel has a military comprised of all adults within a certain age. There is no choice or alternative. A strong desire drives the military: survival of the very nation. Isreal's military too follows the discipline principles. Without the choice option, the great peer pressure has created the second most powerful military force on the planet. [Fact]

3. *Conscript.* Much of the world has used conscripts for military service. In the past, the US used this technique to force certain individuals to be part of the military. Notably during the conflicts in the 1960's, when this approach was used, the US military was not at its peak. The morale was low and performance suffered.

These examples, as well as the three discipline keys, should provide ample fodder to encourage an effective structure for any organization.

Strategy, tactics, and technology ___

Strategy is a buzzword that is used too frequently, and as a result it is often misapplied. So that we have a consistent understanding, several terms will be discussed.

The fundamental definitions and principles are addressed in this section. The next section discusses alternative concepts used for

strategic planning. As is obvious after reviewing the fundamentals, some of the concepts called strategic are in reality tactics and technology.

The definitions are based on *American Heritage® Dictionary of the English Language* [American] and *Webster's Revised Unabridged Dictionary.* [Webster] The discussion is from our military, industrial, and non-profit experience.

Strategy comes to the English from the Greek word meaning "office of a general." It is strictly a military term meaning the science of military command, or the science of projecting campaigns and directing great military movements; generalship. It has, in recent years, been applied to business and politics. In that context it means the art or skill of using stratagems or artifices in endeavors. Strategy defines the overall objective of a group or project.

Tactics comes to the English from the Greek word meaning the art of arranging forces in war. It is the military science that deals with securing objectives set by strategy, especially the technique of deploying and directing troops, ships, and aircraft in effective maneuvers against an enemy. Tactics are required training for all military academies and field grade officers. In business and politics it has come to mean any system or method of procedure for achieving a goal.

Technology is the third tier of military science. Traditionally it was called weapons. Weapon is from the Old English word that means an instrument of attack or defense in combat. Technology is the newer, broader word and is from the Greek meaning systematic treatment of an art or craft. Technology and weapons are the responsibility of junior officers and senior enlisted personnel. In business and politics, technology has become a major factor in developing dynamic business plans.

By definition, strategy is the overall scheme developed at the highest level. It is not about details. It is a long-range view. It is dynamic and adjusts with the landscape and the competition. The

strategy is a plan by the top executives only. Managers are not involved at this level.

Tactics is the next level of plans. It is the development of procedures and coordination of larger groups to meet the objectives. This is where most organization planning groups fit. The tactics are for senior managers.

Technology is the fundamental level of plans. In the military it is weapons. In commerce and industry it is the discipline dealing with the art or science of applying scientific knowledge to practical problems. That is a classic definition of engineering. The technology is for the practicing engineer and techno specialist. These decisions and practices are not for the executive level.

These definitions come full circle to the title and premise of this series of books.

Strategic planning

Now that we have a fundamental description of strategy, tactics, and technology, look at the concept called strategic planning. There are multiple different philosophies about the topic. First, it is an oxymoron. It is neither strategy nor planning. Strategy is the vision developed by the leaders. Planning is the implementation by the managers.

Dr. Richard Whittington is a professor of strategic management at Oxford Said Business School. In *What is Strategy - and does it matter?* he proposed four general approaches – classical, evolutionary, processual, and systematic. [Whittington]

Mike Witcombe of WAA has given a concise treatment with his computer software systems. [Witcombe]

Classical strategy is the process of collecting data and analyzing it to understand the company structure and outside world. It is a deterministic model that says you can know what to do. The

structure can be changed and altered to maximize long-term gain and return on investment.

Evolutionary strategy contends the world is dangerous and unpredictable. It argues that things change so fast that long term planning is a waste. The companies that stumble on a successful plan survive and the others go away. This is a fatalistic philosophy.

Processual strategy argues that long term planning is not very helpful. People come into a position with their own agenda and will not implement any plan established by management anyway. Developing strategy is a continuous and adaptive process.

Systematic strategy argues that maximizing profits is not necessarily the best approach but it should reflect the social system. Strategy does not matter. People will come up with a plan that will survive the market forces.

Dr. Henry Mintzberg is with McGill University in Canada. Mintzberg argues that strategic planning was overly optimistic from its inception in the 1960's. Planning systems were developed to produce the best strategies. Although it has fallen from its pedestal he argues "… But even now, few people fully understand the reason: strategic planning is not strategic thinking. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision…"

Dr. Marcus Durham is a professor of engineering management at the University of Tulsa. He argues that most of the strategic planning philosophies reflect an abject misunderstanding of the purpose of an organization - that is to maximize stakeholder wealth. Why would someone want to invest in an enterprise that did not have a vision, did not have a plan, did not think a plan was necessary, and did not want to return wealth? These negative philosophies are the reason for the failure of the concept of strategic planning.

> Short-term thinking is the philosophy that has fostered unaccountability and resulted in failure of the organization.
> - MOD

For the survival of an organization, the best approach is to revert to the pattern of a purpose, vision, and plan. This should be implemented in the military form of strategy, tactics, and technology.

Design _____

Mel Hensey is a management consulting engineer who has written three books on aspects of organizational design and team building. In one of his articles, Hensey gave a 12-step approach to design or redesign of an organization. This is not necessarily a long, tedious process. Although it can be spread out, it is something that can be accomplished in an intensive one or two days. [Hensey]

This is a bottom up technique. These twelve steps are implemented in a planning group setting. In general the group size should be three to nine participants. The leader must be in responsible charge.

Keep an open exchange without criticism or negatives. Questions may be asked, but debate is not part of the process. Use consensus approval rather than voting.

1. Develop a *management function inventory* for the key managers. Identify each one's key strength, second greatest, and on. Work toward a consensus in a group format.

2. *Identify problems* that need to be solved or improved. Typical items are turnover, weak client sales, and strategy for change.

3. Develop a list of *criteria to be met* by any changes that will be made to the organization. Some criteria are responsibility and accountability must be clear; use best leaders where they are needed; enhance service to clients; do not lay off anyone simply because of organizational change.

4. Develop a *priority* for the list of criteria. Have each member vote for her preferred one-third of the items. Use this priority list for the remaining steps.

5. Have *each member develop* and sketch two or three ideas on how to improve on all or part of the organization. If stuck, it is okay to wander around the room and observe other work. Then develop independent creative ideas.

6. Have each member *show his ideas*. Emphasize what is useful about each. The remainder of the group may not be mind readers so they cannot understand the thought process.

7. *Form* two-person *subgroups*. Each will develop and sketch two complete organization scenarios. Reporting lines must be clear. New or unusual positions should be explained. This will provide viable alternatives.

8. Have each two-person subgroup *show their scenarios*. Similarities and differences as well as pros and cons should begin to emerge.

9. The *entire group together pulls* the best from all alternatives to create one final design proposal. New ideas may arise and can be incorporated if there is consensus.

10. *Test the design* with actual names of managers. Who will fill each role? This is the most difficult part of the process, since real people are involved. There may be self-serving interests. Attempt to encourage candid discussion, since the new structure will impact everyone.

11. Turn over the *final design recommendations*, including the people to fill key, new, or changed roles, to the person responsible for approval or modification.

12. *Reconvene* the group to hear the decisions, discuss the implications, and plan the step-by-step implementation of changes.

Start-up _____

With a start-up enterprise, the planning process is often ignored, to the detriment of the organization. The entrepreneur may think he has the idea; therefore, he can make all the decisions.

In a start-up, fewer people are involved. Often it is initially only two or three. The same procedures will determine the best arrangement of positions.

If there are an inadequate number of people or talent to fill all the necessary roles such as sales and accounting, then personnel to fill these tasks must be hired or obtained.

Contrast _____

As we discussed earlier, the three organizational structures are functional, performance, and ad hoc. The resources within these organizations can be employees, consultants, or contractors. If contractors are used, the most effective procedure is to develop an alliance or network based on strengths.

Authority is transferred for tasks, communication, and support. Which of the three is the strongest structure?

The extreme of authority transference is a strict hierarchical structure. All direction is top-down. The task extreme is a functional structure. The communication extreme is a network of individual craftsmen and specialist.

A top-down organization tends to be functional, but it is not necessary for it to be so. For example the government and large corporations tend to be very hierarchical and functional. All similar skills and disciplines are grouped together. A functional organization is the easiest to implement because it is very definable.

The authority determines the details of the assignment and how to do the task.

In contrast, the military is performance based. There is a definite hierarchy or rank system. However, each platoon, company, and battalion has every skill it needs to perform its task and communication. Support primarily comes from embedded groups. Each group is autonomous. More autonomy is transferred to the individual to do what is necessary to accomplish the task.

In the military, substantial resources are spent on realistic training, designed to assure that each person is qualified. Typically, about ten percent of the year is dedicated to training for contingencies, technical development, and personal development.

The military is perhaps the best organizational structure to consider for any purpose. First it has demonstrated its success and viability for all of human history. Second it is a life and death situation. Third, its success determines the survival of culture and society. For all of these reasons, the military structure has developed into one that is very competent at performing the tasks assigned to it.

Cost based _____

In an effort to force some entrepreneurial thinking into a structured organization, some firms have adopted cost centered accounting. Each component within the organization is responsible to develop its own clients and income as well as control its cost.

There are a few difficulties that must be overcome for this to be success. First managers must think like entrepreneurs, but that is not within their training and experience. Furthermore, the risk and rewards are seldom part of the picture. Third, managers are accustomed to billing out all the time of the people, and that is not reality.

There is, however, one major benefit of cost centered management. It forces the organization to get a handle on where the costs are

occurring and to understand where the true value and source of income is.

Now compare the various organizational structures limiting characteristic. The traditional organization is structured based on the functional performance. Cost centered structure is based on money. Time determined organizations tend to be ad hoc. These are typically team type structures, aligned along particular projects.

Reality check _____

The structure of most companies has changed dramatically since the 1980's. It is prudent for every employee, investor, and associate to realize the philosophy of many major corporations.

The following quote was obtained as an internal executive document from one of the top corporations in the US. We do not agree with all the philosophy contained in this document, but it is important to share the information about the real world. The difficulty with this attitude is it conforms to the short-term vision.

> "We are not a family - this is business.
> The Company and the Employees have formed a partnership,
>   which should be mutually beneficial.
> Either party can terminate this partnership at any time
>   if it ceases to be beneficial - no hard feelings.
> This is a job - it should be challenging and rewarding -
>   but it is still just a job.
> Loyalty and high morale may no longer be part of the relationship.
> Long term security is no longer a reality."

If you are an employee, how does that make you feel? Whether we like it or not, most of us are very aware that is the reality of the workplace.

An organization that adopts this philosophy will most assuredly demise or be taken over by another organization with a longer-term vision and value for its most important resource, people. The

company that proclaimed this has reorganized several times since then and was eventually acquired.

Review _____

The purpose is the will or drive of the organization. The purpose statement should be a concise definition of the reason. The vision is the perception, the view, the dream, the wisdom, the intellect, and the mental image. The vision is a clear, concise statement that declares where the leader wants to take the organization. The plan is the procedures to implement while going toward the vision. The plans may not be accurate, but the process forces the participants to think through options and eliminate known risks.

Strategy is strictly a military term meaning the science of command, or the science of projecting campaigns. Tactics is the art of arranging forces in war. It deals with securing objectives set by strategy. Technology is the third tier. Technology is the tools used by the systematic treatment of an art or craft.

Most of the strategic planning philosophies reflect an abject misunderstanding of the purpose of an organization. That is to maximize stakeholder wealth. Why would someone want to invest in an enterprise that did not have a plan, did not think a plan was necessary, and did not want to return wealth? These philosophies are the reason for the failure of strategic planning.

Application _____

1. Write a one sentence vision for what you want from this study.
2. What are three checkpoints along the way to your vision?
3. What are the tasks necessary to accomplish the vision?

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7

NEGOTIATION

> Thought
> *…You don't get what you deserve,*
> *you get what you negotiate.*
> Dr. Chester L. Karrass

Principles _____

What is negotiation? Is it giving in? Is it reaching a compromise? When does it stop?

> Negotiation is the process of exchanging enough information about your position, collecting information about the other position, and giving on the unimportant issues until you obtain what is important.

It is much better to negotiate than to stake out a territory and try to defend. Often the winner of a conflict takes all, to the detriment of all other parties. Alternatively, a war of attrition can result, which can damage all parties.

An excellent example is the war in 2003 with the dictator of Iraq, Saddam Hussein, against the coalition of the willing democratic governments. The tyrannical ruler had killed hundreds of thousands of Iraqi people by chemicals and other cruel methods. Hussein had invaded neighboring countries on multiple occasions and had been sanctioned by most nations of the world.

On numerous occasions Hussein was given opportunity to stay in power, if he would accede to civilized demands from the free world. He would not negotiate. This precipitated the fastest moving war that existed to that time. His government was demolished in three weeks. He became a fugitive for eight months and was found in a dirt walled cellar by a young soldier.

On his capture, he immediately tried to negotiate. The conversation follows. "My name is Saddam Hussein, president of Iraq and I am willing to negotiate." The soldier cleverly replied, "President Bush sends his regards." The soldier recognized the source of his authority.

Was Hussein in any position to negotiate when looking down the barrel of a rifle? Neither is anyone else who is backed into a desperate situation. Rather than stake an untenable position, negotiate.

> Negotiate from a position of strength.

Negotiation is the art of reaching agreement. When people negotiate they act in a very predictable manner. It is a unique game where both sides can win, given sufficient patience and persistence.

Negotiating Game _____

Dr. Chester L. Karrass has his undergraduate degree in engineering and his graduate degree in business. Dr. Karrass earned is doctorate from USC and subsequently developed the *Effective Negotiation* seminars [Karrass].

> In business as in life, you don't get what you deserve, you get what you negotiate.
> - Dr. Chester L. Karrass

Your ability to make an acceptable deal is dependent on preparation before the face-to-face contact. Every aspect of doing business has give and take, so does negotiating. You must find out everything you can about your position and that of the other side. Do not be

overly confidant because you have a strong position. The Achilles'
heel of negotiators is being overly assured because you are in the
right on an issue.

Karrass published *The Negotiating Game* in 1970 [Karrass]. In that
book he identified three aspects of negotiation. The first involves
strategies and the use of influence to negotiate and to defend. These
critical strategies are identified.

- credibility of the presenter,
- message content and appeal,
- situation setting and rewards, and
- media choice for messages.

He also identifies (1) goals, (2) needs, and (3) perceptions as the
three dimensions of persuasion.

His tactics of negotiation are categorized into seven types.

1. timing,
2. inspection,
3. authority,
4. association,
5. amount,
6. brotherhood, and
7. detour.

As would be expected, his longest list includes negotiating
techniques: (1) agendas, (2) questions, (3) statements, (4)
concessions, (5) commitments, (6) moves, (7) threats, (8) promises,
(9) recess, (10) delays, (11) deadlock, (12) focal points, (13)
standards, (14) secrecy measures, (15) nonverbal communications,
(16) media choices, (17) listening, (18) caucus, (19) formal and
informal memorandum, (20) informal discussions, (21) trial
balloons and leaks, (22) hostility relievers, (23) temporary
intermediaries, (24) location of negotiation, and (25) technique of
time.

Effective elements _____

Leo P. Reilly in "The Basic Elements for Effective Negotiating" gives ten components to negotiating [Reilly].

1. Be patient.
2. Be positive.
3. Know your bottom line.
4. Know your opening offer.
5. Gather information.
6. Float trial balloons.
7. Know your status.
8. Limit your authority.
9. Offer a nibble (small concession that will result in closure).
10. Never reward intimidation tactics.

Tirella and Bates in *Win-Win Negotiating: A Professional's Handbook* discuss the traps and obstacles to achieving agreement [Tirella].

*   Anger.
*   Intimidation.
*   Mixing real issues and straw issues.
*   Deadlock.
*   Flat-out lie.

Professor Barbara Braham has been an adjunct faculty member at Wright State University and Ohio State University, and is the author of *Be Your Own Coach*. She offers another ten guidelines for negotiating [Braham].

1. *Know thyself.*
    When you go into a negotiation, take a personal inventory. How do you feel about negotiation? Do you want to get it over fast? If so, you may give in too quickly, or give away too much. Or, do you want to win, no matter what the cost? If so, you may become adversarial and damage the relationship.

2. *Do Your Homework.*

Know who you're negotiating with before you begin. What's his or her reputation as a negotiator? Win/Win model or Win/Lose model? Does the person want to negotiate with you, dread the negotiation, or is this a neutral situation.

3. *Practice Double and Triple Think*
    It s not enough to know what you want out of negotiation. You also need to anticipate what the other party wants (double think). The smart negotiator also tries to anticipate what the other party thinks you want (triple think).

4. *Build Trust*
    Negotiation is a highly sophisticated form of communication. Without trust, there won't be communication. Instead you'll have manipulation and suspicion masquerading as communication. Be trustworthy. Honor your commitments. Tell the truth. Respect confidences.

5. *Develop External Listening*
    Most people carry on an inner dialogue with themselves. When you're trying to communicate with someone else, this inner dialogue becomes a problem because you cannot listen internally and externally at the same time. When you negotiate, turn off your inner voice and only listen externally. You wwill not miss important nonverbal messages, facial expressions or voice inflections, when you listen externally.

6. *Move Beyond Positions*
    It is risky to make yourself vulnerable to someone. That is why in a negotiation you begin by stating your position. Later, when the trust has deepened, you and the other party can risk more honesty and identify your true interests. As a negotiator, it is your responsibility to ask questions that will uncover the needs or interests of the other party. If you have also done your job of creating a supportive climate, you are more likely to get honest answers.

7. *Own Your Power*

Do not assume that because the other party has one type of power, e.g. position power, that he or she is all-powerful. That is giving away your power! Balance power by assessing the other party's source(s) of power, and then your own. While there are many sources of power, they all break down into two categories; internal power and external power. The former no one can take away from you and includes your personality. External power fluctuates with your situation.

8. *Know Your Best Alternative*
    BATNA stands for Best Alternative to A Negotiated Agreement. The acronym comes out of the research on negotiation conducted by the Harvard Negotiation Project. Before you begin a negotiation, know what your options are. Can you walk away from the deal? What other choices do you have? What are the pros and cons of each choice? Do not stop here. Also consider the BATNA of the other party.

9. *Know What a Win Is*
    What is your best-case scenario? What is your worst-case scenario? The area in between is called your settlement range. If you can reach an agreement within your settlement range, that is a win! Don't drop below your bottom line; you will feel bad about yourself and the deal afterwards, and you may not follow-through on your commitments.

10. *Enjoy the Process*
    Negotiation is a process, not an event. There are predictable steps: preparation, creating the climate, identifying interests, and selecting outcomes that you will go through in any negotiation. With practice, you will gain skill at facilitating each step of the process. As your skill increases, you will discover that negotiating can be fun.

Bruce Henderson is the founder of the Boston Consulting Group, a major international force in management consulting. He offers five rules for what he calls "Business Brinkmanship" [Henderson]. Henderson's positions are opinionated, at best, but can show the extremes of negotiation techniques.

1. You must know as accurately as possible just what your competition has at stake in his contact with you. It is not what you gain or lose, but what he gains or loses that sets the limit on his ability to compromise with you.

2. The less the competition knows about your stakes, the less advantage he has. Without a reference point, he does not even know whether you are being unreasonable.

3. It is absolutely essential to know the character, attitudes, motives, and habitual behavior of a competitor if you wish to have a negotiating advantage.

4. The more arbitrary your demands are, the better your relative competitive position – provided you do not arouse an emotional reaction.

5. The less arbitrary you seem, the more arbitrary you can in fact be.

The key to Henderson's technique can be described as diplomacy – the ability to be unreasonable without arousing resentment.

Art of agreement _____

All these techniques can be very effective. The challenge is they require a great deal of memorization and negotiations never go according to a script. In this section, we will develop a way of thinking that can guide you along the path.

Negotiation, deal making, or parleying are simply another form of communication. What is the difference between sales and negotiating? Very little! Therefore, all the items we have discussed on people relationships apply to the art of negotiation.

Negotiation is a process, not an event. A review of a process diagram will provide a good reference for negotiating guidelines.

```
start → initialize → input → process → limit? → output
                                          ↓
                                        exit
```
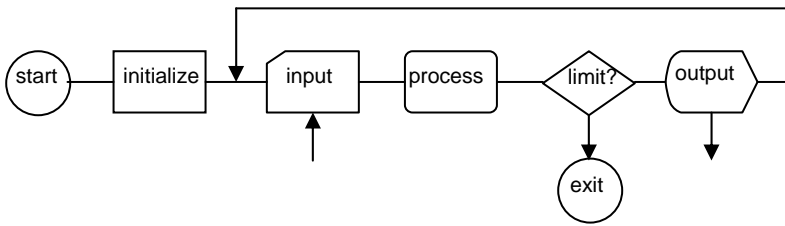
1. The *start* is preparation. Research your position. Know as much about the other side as possible. This includes their business as well as the individuals. What are their backgrounds, education, hobbies, strengths, and weaknesses? Visit their facility, website, and associates. Dress appropriately. Be confident, but not cocky. Use your influence of position, education, and personal power. You are at least as powerful as the other side, or they would not be willing to negotiate with you. They are vulnerable. Have your presentation in the correct media.

    > Proper prior planning prevents pathetically poor performance.
    > - 7 P's

2. *Initialize* is your beginning position. It should be a higher position than what you will settle for. Your starting position should be commensurate with the position you desire. Determine how outrageous you can be without squirreling the deal. The key is to be outrageous or arbitrary, without evoking an unpleasant emotional response from the competition. Know the competition. Also, know the needs of the other side.

    > You have not, because you ask not.
    > - James

3. Seek *input* from the other side. Find out what they really want. They will offer up straw men, or trial balloons, to see if an idea floats. These are not the real issue. Like you, they are starting at a position that is above where they will settle. Calmly and in control, continue to ask open-ended questions. Then listen for nuances.

    > Find out what people want, and help then get it.

> Then you will get what you want.
> - Dale Carnegie

4. *Process* the information in the context of where you want to go. Do not be buffaloed by their bravado. Unfortunately, some people lie. Be sensitive to that possibility. The process is not personal; it is about getting to a common ground. Avoid negative reactions. Maintain your attitude, and confidence. Keep your influence.

> People do business with people they like and respect.

5. Is the new offer below your bottom *limit*? Know your bottom line before you ever begin the discussion. Do not get there too quickly. Do not go below your limit just to get the deal. If it did not look good when you were preparing, it will not look good later. Do not believe your own stuff and set your limit out of reason. If either side is out of reason, then the process is no longer negotiation.

> No one wants to pay or give more than necessary.

6. The *output* is your counter point. It may be a lower cost or greater quality. Unless absolutely necessary, do not give without take. If your price must be lowered, propose something that can be removed from your offering without damaging the overall project. It may be a straw man, which has little to do with your real position, to see where the competition will go. A straw man can be put up as a bargaining chip that you are willing to concede when necessary. Be wary of a deadlock that is created by either side firmly and unequivocally setting their position.

> Get from where you are to where you want to go.

7. A successful process is a feedback loop that continues until one side has hit a limit. If either side reaches a limit, the process is finished and it is time to *exit*. If you are not at your limit, go back to seek further input from the other side. Even if there is a perceived roadblock, it is still wise to seek additional input. You

may be able to change a position enough to close the deal. Enjoy the process.

> With patience and persistence both sides can win, if they are willing to negotiate.

Review _____

What is the difference in negotiation and sales? All relationships are about negotiation and selling your idea or position. Negotiation implies there is more than one possible outcome.

Negotiation is a process. Prepare. Have a known initial offer. Ask questions and listen. Process the response. Evaluate your limit, a known value before you start. Respond with a counter offer. It is over when one side has hit their limit.

Application _____

1. What is negotiation?
2. What are sales?
3. Is there only one outcome to negotiation?
4. How would you describe negotiation?
5. What is the Achilles' heel of negotiators?
6. What are three dimensions of negotiation?
7. What are three obstacles to obtaining agreement?
8. What is the triple think?
9. What are the seven steps of the feedback process of negotiation?

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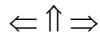
8

CULTURE & LEADERSHIP

Thought
*Are you a mentor
or tormentor?*

What is it _____

How do you get the performance you want? How do you relate to people of other cultures? What is your organization's culture? How do you change its culture? How to you manage people who are remote? How do you evaluate performance?

These are questions about implementing an organizations' mission and objectives.

> Leadership culture is the interface between the organization and the subordinate.
> - MOD

Cross-culture _____

Does culture variation have any impact on leadership and communications?

We in the United States are most fortunate. English has become the world trade language and the dollar has become the default medium

of exchange worldwide. The combination of these two de-facto standards makes it possible for everyone to have a common basis of communication.

The makeup of today's professional and educational environment ensures you that you will encounter people from another culture. Last year, approximately one-third of the new physicians in the United States were from India. A substantial number of computer specialists are also of East Indian heritage.

Graduate schools of US universities are extensively made up of international students. US students tend to go make money as soon as possible, while international students typically want to come here for more education and the chance to obtain US employment. Many companies are now multi-national or global.

With the advent of the internet for instant communications, every business can be international in nature. With readily available travel, every entrepreneur can be global. I have visited 22 countries and have had mentoring relationships with students from another 15.

Since a leader will be expected to travel to international locations rather frequently, a few travel tips are offered. We have found most people very friendly. They are generally very curious about the US. We have often been taken into their homes and under their umbrella of protection.

• Although the business exchange will typically be in English, try to pick up at least a few phrases, such as hello, thank you, please, and pardon me. It creates a rapport on my part. Hopefully, it does with the hosts.

• Maintain a low profile. Avoid being loud, flamboyant, or boisterous. This can be very expensive, or even fatal. You are a guest in their country. In the post 9/11 world, it is critical for you to blend in as much as possible.

Language _____

As was mentioned earlier, English is the default language for business transactions in much of the world. Does this mean that everyone can communicate easily?

Most everyone that speaks English as a second language does so with an accent. This is because of the way their mouth organs were trained as a child. In many cases their English teacher only knew English as a second language; therefore English is learned with an accent other than a native speech pattern. To aid in comprehension, it is okay to say, "I apologize, I did not understand." When an international person apologizes for their English, I must apologize, "You speak English better than I speak your mother language."

In a number of classes that we have taught, there have been students with as many as seven different mother languages, all in the same classroom. These included Norwegian, German, South American Spanish, Arabic, Hindi and other languages of India, Chinese, and American English. Although everyone was using English, there was a real challenge in comprehension and true communication. Communication was going from English through one mother tongue filter to English with a different mother tongue filter. It just gets difficult to follow for the various cultures. It is actually easier for the native English speaker since there is one less filter.

Culture also brings other difficulties in language and communication. Most people learn English in a more or less formal structure. As a result, they may not grasp the idioms, subtle meanings, and twists of humor. In order to reduce misunderstandings, our communication must be much more precise than we would normally use in everyday communication.

Cross-cultural confusion _____

Another area that has the potential for misunderstanding is gestures. Things that are natural and perfectly acceptable in one society can be anathema in another. For example, what is the gesture for

everything is ok? It is the hand formed in the shape of a zero. In some other societies, this is the sign for that part of the anatomy that excretes solid waste. Therefore, an innocent gesture could be very embarrassing or provocative.

Another potential cross-cultural minefield is holidays, or holydays. In many cultures, religious activity dominates society. Although it is not necessary to embrace other cultures' patterns and practices, it is necessary to be aware of them. It can dramatically impact how you are received.

In the process of teaching a cross-section of students from many areas of the world, it has become very apparent that there are hostilities between people just because of the country or culture. It often has nothing to do with the person. This can become a point of tension when professionals are making presentations to the same audience. This is particularly true between Arabic, Persians, and Hindis. If this issue arises in your workplace, firmly with authority state that is not the issue of this discussion, that cannot be solved now, and we will only focus on the topic at hand.

Names mean things. They are a source of pride to most people. Call them by name and they will light up. It is who they are. Nevertheless, a growing number of people from some cultures are Anglicizing their name. This is so they fit in. It keeps them from being prejudiced against before they get started. It is unfortunate, but it is the way of people.

Considering all the challenges, it is still important to learn to communicate in English as much like a native as possible. It is a safety issue. It is an economic issue. It is a relationship issue.

Organizational culture _____

Just as people have a culture, every organization has one. How do you explain the culture to new employees? How do you instill the culture to new groups that have come into your organization?

First, you must define the culture. That is much easier said than done. Do you know what it is? If it is not defined, it cannot be passed on. Since the culture is very different in every organization, the following list includes some of the things to consider in your definition?

1. *Describe the mission and objective* of the organization. Is it really the same as the written one? How do you expect the people to participate or implement it?

2. *Describe the vision*. Is it long term, quarterly, or only this transaction? Is this the true vision or the "promoted" one? How do you expect the employee to contribute?

3. *Describe the work schedule*. There is a formal one, but is there an informal one? Are people expected to come early or stay late? How flexible is it? How do you handle time off for professionals to take care of personal issues? What is the compensation for working extended hours to complete a project?

4. *Describe the relationship style*. Is it formal or relaxed? Is there a true open door policy? Is there a time that there is open door and time there is not? Do you have office get-togethers, or social functions? Are they voluntary or expected?

5. *Describe the dress code*. Is it coat and tie or is it twill? Is it different on certain days or occasions? Is it different for different positions? What about your honest impression of hairstyles or jewelry? You cannot discriminate, but you can have a policy that applies to everyone. It can be different for men and women.

6. *What is your safety and environmental program*? Is it written? How is it implemented? Who is responsible? What do you expect the employee to do?

7. *What is the management style*? Is it team, top-down, laissez faire? Be honest. When conflicts happen, and they will, how are

they handled? Is it one visible blunder and you are out? That has become all too prevalent in the flat organization. If that is the case, two things happen. People become risk averse and do not perform to their potential. Alternatively, everything is not reported, so you are kept in the dark until there is a disaster. Neither of those conditions is desirable.

8. *What is the freedom level*? Is it structured or just get the job done? How are ideas transferred up the organization? Not everyone is open. So many great ideas get stifled, if this is not handled effectively.

9. *What is the job expectation*? That is far past the description. Is the target defined? Is it realistic? Does it change? If you meet your quota, does it get out of reach for next year. Be honest. Are the rewards commensurate with any increase in quota?

10. *Describe the motivation and reward system*? Do you have a plan or is it ad hoc? Is there money? Is there visible recognition?

11. *What are others items in the culture*? These must be clearly defined, or they cannot be implemented?

Implement organization culture ____

Implementation of an organizational culture is actually easier than describing it. The tendency is to attempt to enforce the culture from top down. That is perhaps the least effective and productive.

The better approach is to get buy-in from the people. Then it is part of their program, not "another goofy idea from human resources or the front office." Bottom-up always provides more creativity and ownership. But how can bottom-up apply when the culture is not known.

One very effective approach we have seen is actually a variation of the team approach. Have smaller groups get together with a

maximum of nine people. (Five works even better.) If the people in the teams represent a cross-section of the organization, that is better. Be sure that they are real teams. The tendency in many organizations is to create teams with peers, then let them do it with the subordinates. That is not a team. That is small group top-down.

Have the information written out and prepared for the group. Then ask the group how to best implement it in their sector. Then do it.

If you simply do lip service at this time, you have totally destroyed any credibility that the program may have. You have not lived up to the character traits of a leader.

Have a follow-up with the group to see how their ideas are working and what needs to be done to tweak them. The most effective time for this follow-up is after reasonable time has transpired for implementation but before people forget. Two to three months is usually about right.

Remote management _____

In many organizations, the staff is spread out geographically. This can come from mergers and acquisitions, physical requirements of the marketplace, or simply be a result of the way that the organization has grown. Geographic diversity is a common byproduct of a flat organizational structure.

When staff is scattered, the tasks of management and leadership take another twist. The first issue is the cultural issues. This can even extend to different cultures in various parts of the country. In addition, each office will have a culture determined by the traditions and the people there. Without embracing each culture, you must be aware of them. If they need to be changed, follow the process discussed above to instill a more appropriate culture.

When staff is spread out, personal interaction and the visual cues that come from it are severely limited. Written and spoken communication dominates. It is exceedingly important to observe

the principles addressed in the communication chapters. Remember, the words are in print; the true meaning is often between the lines. The emotional aspects of a written or spoken communication are no less important than in a personal discussion.

In a geographically diverse organization, a control system that provides feedback is crucial to survival of the organization. Timing and scheduling take on a new importance. Consistent two-way communication must be established. A regularly scheduled time is productive.

You must consistently provide your vision to the remote people. They are out in the field and do not know what is happening back home. If there is not transfer of accurate, timely information rumors become rampant. You must become the grapevine. Honest affirmation of the people that are located in a different place than you are becomes extremely important. Otherwise, their imagination runs unchecked and reduces productivity.

Transfer as much responsibility as possible to the other locations. With it give the authority to get the job done. Responsibility without authority is a key to job dissatisfaction, and will ultimately lead to failure or desertion.

You must expect regular reports from the remote sites. These should typically be weekly. At the longest, they should be bi-weekly. Emphasize that these reports are for accountability only. Keep them short. They do not have time to make them and you do not have time to read extra info. Give an established format, so the information can be quickly processed.

Reports and written information carry certain communications. The next level should be telephone or other voice conversations. As we saw earlier, it helps to detect nuances in emotion. Because they can become time consumers, keep the calls brief and to the topic while being personable. The calls should be scheduled for both your benefit. Weekly calls plus bi-weekly reports, can work very well.

While occasional visits to the remote location are important, remember it will disrupt the work schedule for days. They will take extra time and effort to prepare for the visit from the "front office". In addition your travel time is extremely expensive to the company. For that reason, some of the visits should be from the remote location to the "front office".

A pattern that has been used successfully is seasonal or about 90 days. This provides the best trade-off between utility and cost. If there are active, short term projects, and you have a key role, then obviously the time between trips will be shorter. Make all the visits as low key as possible in order to reduce stress and improve productivity.

All significant personnel issues are still handled in person. It is inappropriate to hire, fire, take corrective action, or make substantial organizational changes without a face-to-face exchange. Your people need the visual cues of the conversation. They have families and concerns about their future as well. That means someone has to travel. It is best to handle the issues before they become problems, if possible.

Establishing rapport is more difficult when dealing remotely than with local people. Little things can mean a great deal. Although it may be too extensive for a complete organization, send a card or note that is personally signed to your direct reports. There does not have to be a special occasion, but a card on a birthday or anniversary can have special significance.

Performance review _____

Performance reviews are perhaps the most emotionally charged relationship between the supervisor and employee. Although it should be strictly about business, the review becomes a personal issue to the one being evaluated. It not only has the direct potential to affect the employee's compensation level, but it is all about them, positive and negative.

The first step of a successful performance is to define the expectations ahead of time. Many of these will be identified as part of the organizational culture.

Who knows more about what the individual does and how well he has performed, the supervisor or the employee? Right, himself.

Have the employee prepare his own evaluation. He will be more honest than you expect. In fact he will tend to understate his performance, since he does not want to be marked down. Use his comments as a baseline. If you think his performance is actually better than his evaluation say so and give it to him.

When I had to create these evaluations, it was frustrating. I thought I was doing the bosses job. However, in looking back, the best rapport and communication was established with those bosses. The ones that did it all themselves were often looked on as not knowing everything that was going on.

Let the employee know what the monetary plan was. Let them know what they are receiving.

Do not compare their performance to others. Do not say I had to give the money to someone else, for what ever reason. Do not say, you did great, BUT. Buts have no value, other than to water down what you are saying.

If there are any issues that you want corrected, state them. People do not know what is expected until they are told, even if you think they should know.

Focus all the negatives on the act, not the person. Give suggestions on how to improve. It may be something like, "This might be something you want to try …" Ask if they need any specific or personal help.

Keep it as positive as possible. A frustrated employee is not productive.

Ask are if there are any questions or comments. Keep this an open, non-judgmental conversation. Do not try to justify something that the employee sees as a problem. They likely do have a good idea. Always accept suggestions positively, even if it turns out to be unsuited after further review.

Complete the review on a positive note. This can be about attitude, work ethic, punctuality, or hopefully all the above.

Review _____

Cultural discussion is on two levels. The global language, money, and education assure you will encounter people of other cultures. Although the language of exchange may be English, it may have an accent. Appreciate that and do not be shy to say, "I apologize, I do not understand." The broad spectrum of cultures creates tremendous opportunities to develop business and personal relationships.

The second issue is organizational culture. The leaders of the organization can define that and disseminate it through the group. The challenges with remote locations necessitate a clear understanding of the expected culture. Remote locations require a clear, clean method of communication to assure they are on the same page.

Application _____

1. What is your ethnic culture?
2. What is unique about your culture that you wish more people were aware of?
3. What gesture or action is used by someone of another culture that has derogatory meaning?
4. How would you describe your personal culture?
5. What is your mission or objective for this class?
6. What is the mission or objective for your organization?
7. What do you consider the most important item listed in the organizational culture?

8. Create a performance review form using three points.

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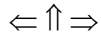
GLOBAL LEADERSHIP

Thought
*Since these international students
are the cream of their society,
their interjection into our system is very positive.*

Global perspective _____

What do global events have to do with your income, your lifestyle, or you? Why is there a need for global leadership? What is the responsibility of global powers?

In a time of instant global communications, what happens in the remotest corner of the planet can be known anyplace immediately. In a global community, what happens to people and manufacturing in Asia immediately has a definite impact on the other side of the planet. In an interactive society, anyone can be involved in international commerce via the internet.

In an international economy using the dollar as the common medium of exchange, what happens to income in the Pacific Rim impacts prices in the Western Hemisphere. In a global culture using English as the common language of trade and communication, travel can be completed into almost any country with a reasonable chance of success. In a global educational system, what is knowledge in one culture quickly is transmitted to overseas regions.

Global power _____

After discussing global influence in a class, there was a very interesting interaction centered around the question "What is unique about your culture that you wish more people were aware of?" The participants represented a cross-section of international cultures.

One student related an encounter with a European student about the US being a global barbarian. How does this impact you and your organization? Is this a fair characterization, or the result of a cultural bias on the part of the European student?

All societies have structure and rules. To ensure security and maintain a stable set of rules, society has accepted governments. One of the responsibilities of government is to implement these rules. This function of government includes police to enforce the rules of society. There is also a requirement for military action to protect the society.

Now expand that discussion to a global context of society. It still applies. Now who is going to provide the security and enforcement function in a global system? It becomes the responsibility of, and falls to, the people that can accomplish the task. It is not an option for them. They must do it.

What are the only countries in the world that have the technology, finances, resources, and moral imperative to implement this function at this time? In the current global environment, these responsibilities default to the United States.

What other nation can provide $82,000,000,000 in one year to execute this function in another nation, and maintain a growing domestic economy? You cannot ask an African nation to contribute even one billion dollars. They simply do not have the resources without deleteriously affecting their own people. You cannot ask the United Nations, they do not have the resources. This morally and financially bankrupt organization, and most other nations, are dependent on the US for some type of foreign aid.

US government foreign aid is over $22,000,000,000 annually and is provided to 180 nations in the world. [USAID] Other aid, grants, and assistance are provided through additional programs. "Due to changes over time in appropriation "scoring" for various foreign aid programs, calculating precise levels of annual Foreign Operations appropriations that are equivalent to the methodology used currently is virtually impossible." [CRS]

Even Congress does not have a handle on all the aid programs. The US contributes more to foreign aid than the entire budget of most countries. This does not include the multiple billions in aid from private, charitable, and religious organizations that is unique to the US. In many instances, an individual or a corporation in the US give more in charitable contributions and support than entire nations give in aid to others. [Bullock]

Global protector _____

When a regime becomes so corrupt that it is destroying its own people's lives and threatens the lives of other nations, there is the moral and ethical responsibility to provide police protection. What other nation has the technology to pull this off with a minimum loss of lives? What other nation has the resources to call its volunteer citizens from their jobs to go serve in the military in a foreign country for a period of time.

Whether we want it or not, because of ethics and the economic, technical, and military power, the United States is thrust into the role of world policeman at this time.

The only significant opposition to this effort comes from former international powers that no longer have the resources, ability, or will to exercise that role. A few groups within the US that do not value our responsibilities and traditional values make noise. Since they cannot be leaders, they act as spoilers.

One of the best ways for an impoverished country to improve its long-term status and economic condition is to get into a conflict with the United States. After the conflict is over, resources are sent in to rebuild the infrastructure.

Count the nations of the world where that has happened. Nations, that were former antagonists, become allies and major trading partners. Consider those countries that were the leading adversaries of the U.S. in the 20th century: Germany, Japan, Russia and more recently Afghanistan and Iraq.

The "American Dream" is not unique to Americans. It is about life, liberty and the pursuit of happiness, those rights endowed by the creator to all men. [Declaration of Independence]

Pacific Rim _____

Technology and trade has taken on a different image since WWII. Prior to that time, high-tech was primarily associated with craftsmen in Switzerland and Germany. WWII introduced technology as a major factor in international relations. After the battles were fought, General Douglas A. MacArthur was charged with the administration of Japan and the Pacific region. The economy and government of Japan and its satellites was devastated by years of war. General MacArthur began restoration of the society and brought in technical specialists such as Dr. W. Edwards Deming.

With the ingenuity and work ethic of the Japanese culture, this team created an economic superpower. Their primary trade for technology was with the United States. The US exported innovation and Japan provided the manufacturing. With increased trade came an increase in the standard of living on both sides of the Pacific.

In a few years, the standard of wages had risen in Japan to the point that it was too expensive to maintain routine manufacturing in Japan. The closest neighbor with a compatible government and trade philosophy was Taiwan. More technology and manufacturing was exported from the US and Japan. Japan began to develop

innovation, and manufacturing was moved to Taiwan. This raised the standard of living in all three countries.

Then the process was repeated. Taiwan was out of room and costs were increasing, so more trade was initiated with a near neighbor, South Korea. More trade, increased standard of living, and increased cost of technology manufacturing were the result.

The process moved on around the Pacific Rim. Malaysia became a technology innovator. Trade was increased, the standard of living was raised, and cost of manufacturing again rose.

Indonesia had an introduction to the technology game, but did not participate to the extent of the other countries. Their government and laws, as well as religious practices, were so constructed that outsiders had no flexibility to develop new industry. As a result, growth could not come as it did with others along the Pacific Rim.

Similarly China has been more closed to outside involvement. As a result they could not be wed into the technological trade family. There is some movement in that area, but it is still more restrictive than most players want. Although there has been some significant growth in the Chinese markets in recent years, there is a pervasive fear of future government takeover of enterprises, resulting in a hesitancy to invest fully.

As we move around the Pacific Rim, the next population area is actually on another ocean, the Indian. The mega population of India, the largest democracy in the world, is participating in the technology boom with a hunger. Innovation and market demand is still predominantly with the U.S. All the Pacific trading partners are involved as investors, technology owners, or manufacturing owners. This can be seen in the preponderance of Asian vehicles and computers outside of Japan.

India is such a large population center that it will be some time before the full extent of the growth process is realized. However, there is already a substantial computer and technical support

community. This has significantly impacted the standard of living in some regions of this vast country.

After a number of years, when India has achieved an elevated standard of living, what will be the next technological manufacturing society? If the neighbor growth pattern continues, it would be the Middle East. However, there are a few restrictions that suggest it may bypass that area for Africa. First, the standard of living is already quite high because of petroleum production. There is little impetus to revert to a manufacturing economy. Second, like Indonesia, the religious influence dissuades outside participation. Third, the population is spread out and sparse, rather than large and compact like other technological manufacturing societies.

European Community _____

Several questions obviously arise when looking at this particular spread of technology. What is the role that the rest of the world plays? Europe has primarily been developing trade relationships within its member states in the European Community, which has been specifically structured in a way to compete with the Pacific Rim.

For forty years after World War II, the former Soviet Union was the major trade partner with the group of nations under its sphere of influence, the Eastern Bloc. Because of the changes and demise of that empire, the trading group has become independent. Interestingly, in many countries, there is a tendency to deal more with the US than with their European neighbors.

What is the impact of international political relationships? Nations that develop a strong economic relationship tend to develop a political alliance. The societies become dependent on each other and there become common interests. A military conflict would impact their economy too severely and disrupt too much of what it takes for a government to stay in power. Free trade reduces enemies.

What is the impact on the countries that export innovation and manufacturing markets? Their lifestyle increases because of a higher-level involvement in the process. There is greater demand for engineers, scientists, and technologists. These are higher paying jobs. These also create a greater demand for more products from the other countries. In addition, rather than traditional manufacturing jobs, the economy moves more toward a service industry.

There is one downside that has been observed. There is a segment of the society that opts not to participate in the lifestyle growth for whatever reason. The economic lower twenty percent are increasingly separated. However, that is the case, regardless of the trade or economic make-up. It follows Pareto's notable 80/20 rule. [Pareto]

A commitment to trade relations with other countries and developing their economy by industry and trade rather than foreign aid is a great way to create alliances and raise the quality of life.

> If you give a man a fish, he will eat for a day. If you teach a man to fish, he will eat for life.
> - ancient proverb

Education_____

A rather phenomenal thing is happening in United States society. Traditional culture was strongly influenced by the European norms. However, since WWII, that has changed. U.S. technological culture is looking more like the Pacific Rim, than traditional Europe.

The trade make-up of the world has largely segregated into two regions – the European Community and the Pacific Rim. Trade around the Pacific Rim has been largely associated with technology, with the United States and Japan as the anchor states.

> Technology fosters education.

As a net exporter of information and a major consumer of finished products, the United States is obviously one of the exporters of

education. Students come to the U.S. from nations that are major trading partners. As the lifestyle and income of these countries increases, students come to the US for university and technical training.

The students that come have several significant characteristics. First, they are the top performers in their society. Second, the student's families, or sponsors, have a high level of economic influence in their society. Third, the student families, or sponsors, have political influence in their nations. These characteristics make the students that come to study in the U.S. the 'cream' of their country.

After WWII, the first major area of trade growth was petroleum products in the Middle East. Universities had numerous students from Iran, Saudi Arabia, the Emirates, and the remaining oil producing countries.

A major change in this makeup came with the religious uprising in Iran, which changed the government and the economic structure of that country. After the transformation of the Iranian society, there was a virtual elimination of students from that country entering the US. The rest of the Middle East continued to be a significant exchange source of students until the attacks on the U.S. on September 11, 2001. At that time, the flow virtually stopped.

Taiwan provides a large number of students to US universities. Malaysia has been a major exchange nation. China is home for an increasing group. The largest region is now India.

Most of the graduate students studying technological fields in the U.S. are now from other countries. Thirty percent of new physicians in the US are currently from India. Many of the computer scientists and engineers are from India. There is a reason.

Education reason _____

The typical US domestic student gets an undergraduate degree. If it is in a technical area, this provides them with a very nice starting

salary. With the burden of college debts and the desire for freedom from home, most of these students take a job. With the inevitable arrival of family and routine survival concerns, very few return to the classroom.

The international students are here by their choice. Many graduate students come with an undergraduate degree. They are already funded, so survival is not a concern. They want to get an education, but they are more interested in getting a taste of our culture and participating in our economy. An educational visa is their entrance. Some of these students opt to stay in this country and become full members of the society.

Several questions obviously arise when looking at this particular spread of technology. What is the impact on our society? Since these students are the cream of their society, their interjection into our system is very positive. They provide a phenomenal addition to our economy, since they tend to be on the upper side economically. They become consumers, which creates an increased demand for goods and services. These may be different from traditional European demands, but are a significant segment in the economy.

What is the impact on their society? Our exporting education raises the standards and expectations in their culture. For the people that return to their nation, there is a tie back to the U.S, which generally creates an alliance. It also creates a demand from that nation for products affiliated with the U.S.

A third thing that happens is jobs are exported to the nation. The people are educated in the U.S., have the technology necessary for these jobs, and can work less expensively in their culture. This improves their societal income at the same time as lowering the cost of the goods they are supplying back to the U.S.

What is the impact on culture? Interestingly, the value system from these countries is not unlike the traditional values in the U.S. A separate article will look specifically at cultural issues.

A commitment to educational relations with other countries and developing their economy and ours by exchange of information is a great way to create alliances and raise the quality of life.

Culture _____

A student asked, "How can we tell people that what is on TV is not the culture and values of our country?" That is a very telling question. It deserves a response to assure them that there is a traditional value culture that under girds our society.

In a single phrase, the disparity is because of the "old media". Old media is the traditional broadcast television and print communications. These are mega-businesses with obvious control by a corporate culture. Large investments and big name personalities are the bulwarks of these mega corporations.

Rather than reflect society and report news and events, the old media has taken on the charge to impact or change society. Organizations tend to replicate and hire people like themselves. As a result, even without a defined agenda, over time, the group will take on a single philosophical direction.

Unequivocally, the old media has taken on a philosophy that is different from the mainstream portion of the country. The major cities on the coasts have assumed an elitist attitude that refers to the majority of the nation as "fly-over" country. The east and west coast movers assume that they have superior understanding and the great mass of people within the country are just not capable of understanding. Author Tom Wolfe expressed a more enlightened view when he described the east and west coast population centers as "parentheses" that set off real America from the rest of the world. [Wolfe]

This single-mindedness of the old-media is in stark contrast to the constantly changing technology driven media, where a single individual can express his views. The audience may not be large,

but it can become a tremendous influencer if picked up by other organizations.

Occasionally, a corporate mogul will see a potential market when the old media has vacated an area. Rupert Murdock, the Australian media mogul, saw such a potential and put his money behind US Fox News. Since he was outside the inner circle of media giants, he was unconstrained by conventional wisdom. As a result, Fox News was structured to be "fair and balanced". To the old media, this was heresy. To the public this was refreshing. To Murdock, it was crazy like a fox (pun intended). Fox News was launched on October 7, 1996. Rather than broadcast or print media, the target was 17 million cable subscribers. This has increased to over 54 million. In only eight years, by 2004, Fox had more viewers than the three major network news affiliates. [Wikipedia]

TV is not culture _____

Consider the original question, "How can we tell people that what is on TV is not the culture and values of our country?" The first response should be a question such as "What do you mean by that?" This provides a basis for discussion and addressing the concerns rather than a shotgun, glib answer.

The answer is typically firmly rooted in areas that we are often advised to steer clear of *religion, politics, and sex*. Not surprisingly, the outlook on these subjects is intertwined. The understanding on one of the topics impacts the thought on the others.

The first area to steer clear of is the most volatile, religion. Everyone has a religious philosophy. There is an innate desire or need to fill the void of things that are not presently comprehended.

Certain individuals think it is more intellectual to be secular without religious bias. That is simply a cop-out for intellectual laziness to not investigate the broad realm of thoughts. These secularists tend to think people with a religious basis are ignorant. A secularist may loosely affiliate with some religious institution, but will declare that

those precepts should not enter into public debate. This secularist philosophy dominates in the old media.

Much of the world regards the US as a Christian nation. There is a basic misunderstanding about the structure of our country. The people have largely Christian leanings, but business tends to be decidedly secular.

A Harris Interactive Survey clearly shows that most Americans believe there is a God, but conversely few actively practice their religion. Seventy-nine percent believe there is a God, nine percent do not, and 12 percent are not sure. Fifty-five percent attend a religious service a few times a year, 36 percent attend once a month or more, and 26 percent attend every week. It would be more accurate that the US has its roots in Christian principles, but does not embrace a national religion.

People from a Moslem culture have a different view of America. First, in those countries, religion is intertwined with politics. The perception is America is a Christian nation. To some, this makes the US the enemy of Islam. That is interesting since both Christianity and Islam have roots in worshiping the God of Abraham and Moses. To other Moslems, a Christian nation is inconsistent with American practices since a religious nation would have more adherence to culture and values.

People from a secular culture, particularly in Europe, have a view that the US is an immature country and does not have the sophistication of the traditions of Europe. Therefore, any reference to religion is uncouth. This is not unlike the secularists within the US.

The second area to steer clear is the most passionate, politics. Politics is more about philosophy than about parties. However, like other organizations, parties tend to attract people of similar interests. In the present configuration, one party has become a conglomeration of special interests groups. These have little in common and often have disparate interests. The one common bond is opposition to the prevailing thought of the other party. As a result of this negativism

and lack of principles, for a generation, the party has consistently lost influence and power.

In the arena of ideas it is very difficult to win simply by opposition to the other side. This is particularly true when the opposition is to the traditional values of the vast majority of the society. Because of the dynamics of the US system, the parties have tended to reflect religious philosophy. As would be expected, the diverse special interest groups lean to a secularist philosophy while the other party tends toward supporting the religious ideas that are common with traditional thinking.

In recent years, there has been a promotion of the idea about separation of church and state. There is absolutely no basis for this idea. The First Amendment to the US Constitution is explicit.

> "Congress shall make no law respecting an establishment of religion, *or prohibiting the free exercise thereof*; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances."
> - First Amendment

For over two hundred years, this has been understood to mean that the government cannot establish a national religion nor could it dissuade the practice of religion. It is totally acceptable and legal for people, business, and political parties to advocate a position that may be construed as religious.

The third area to steer clear is the most exciting, sex. Sexual activity is inextricably involved in values. Values are rooted in religion and ethics. Little has changed in sexual practices since the first man and woman. What has changed in recent years is the very public display and expression.

Obviously sexual practices are necessary for procreation. Equally obvious is it is a very intimate expression between the parties. Moreover, it is a drive that is pleasurable. Because of these three concepts, sex has tremendous value to and impact on society.

Therefore, sexual expression is an appropriate area of discussion by society. Sex is not just a private act between two consenting individuals.

The mores of most societies of the world is a monogamous relationship between one man and one woman. Since this supersedes culture, it appears to be a foundational principle of the human condition.

A very small part of global societies have a different philosophy. These small segments tend to be disproportionately vocal about advocacy of alternatives to the foundational principles. These alternatives have become the predominant theme in the old media.

"How can we tell people that what is on TV is not the culture and values of our country?" The cultural and societal values are very traditional with a belief in God and the value of the individual. This carries over into the three cautious topics: religion, politics, and sexual values. The old media advocates secularism, marginal politics, and alternative sexual mores. These are in total contrast to the majority of people. As a result, new media that represents the cultural values flourish and are very economically profitable. As has been shown, this provides tremendous opportunities for investors and creative artists.

Technology _____

> Technology has been the biggest impact on society and lifestyle since World War II.

Technology is also the biggest impetus for building beneficial trade relations between nations. Technology is the driver for educational exchange with international students. Technology is the global magnet that attracts diverse parties into alliances.

Technology obtained its greatest push during and following World War II. The major participants of this global conflict drove technology to unheard of heights that have forever changed the

world. Jet engines and rocket power changed transportation. Electronics changed communications. Nuclear physics had a positive change for energy, but a negative change for weapons threats.

After the hostilities of World War II ceased, the superpowers continued to push technology. This was apparent in two arenas, space and military equipment development. The postwar era also saw the changing of the technology positions of the Axis partners, Japan and Germany.

Prior to and through the War, Germany was perceived as a great scientific and creative power. The nation has now slipped from the once lofty perch to a position behind many nations. The turnaround of the Japanese economy from imperialism to a leading technology super force is equally amazing.

With the demise of the former Soviet Union, that superpower has slid. Its sphere was referred to as the Eastern Bloc. The only remaining superpower is the US. As a result, the US is the leading technology innovator, with its Pacific Rim trading partners playing key roles. Interestingly, many of the smaller nations of the Eastern Bloc are establishing closer ties to the US than to Europe.

The European continent has emerged from independent technology nations to a conglomeration of states. Most significant technology is now a joint venture between several nations within the European Community. This is most visibly manifested in the commercial aviation market. The only viable worldwide competitor to the private aircraft manufacturers based in the US is Airbus, which is jointly funded by the governments of the EU and the UK.

Much of the historical technological development has been the result of military research, or its partner, space-related research. Perhaps the biggest outgrowth of military technology is the computer, which was developed during the Word War II era to calculate artillery ballistics. It is impossible to describe the impact that this device has had on society and other technological advances.

During the 1960s the US military foresaw the advantages of a network of all computers in the US, so that research could be shared on a more rapid basis. Recall that, at the time, the number of computers was numbered in the dozens, and were located only at research universities, governmental agencies and major corporations.

The Defense Advanced Research Projects Agency (DARPA) developed a communications linkage with major research universities. In the 1990s, that military network was opened to the general public as the Internet. Like so much of technology, what was once in the purview of defense and security is now in common use by society.

Technology research _____

The driving force behind technology is research. Research comes in two forms. Basic research is investigation of the fundamental science. Applied research is application of science to solve a particular problem.

For many years, the Defense establishment funded a substantial part of all research. Much of this was the basic research to gain an understanding of technology. Similarly, when there were large corporations that had a long term view for existence, substantial research was into basic areas. The focus on basic research has been declining. With the focus of companies on short term return on investment, and the shortening of the technology life cycle, the focus is now on applied research to get a product to market.

Perhaps the greatest result of the changes in research has been the emergence of the entrepreneurial researcher. This has trickled down to the most basic levels. Steve Jobs, a founder of Apple Computing, is a classic illustration with his team's development of the personal computer in his garage. So is Bill Gates and Paul Allen, founders of Microsoft, who created the DOS operating system in a very small company.

Even development of basic science has trickled down. During the era of growth for military and corporate research, technology transfer was accomplished by printed journals and exchanges at technical conferences of professional societies. Now new research is predominantly released on the Internet. Even the professional societies have moved to electronic media because of increased speed of dissemination and reduced cost.

Where previously it was difficult to get a forum for publication of research that was outside the norm, it is now relatively easy to publish the results. The downside is there is so much information that it is sometimes difficult for the new research to migrate into common acceptance. The tremendous advantage of new communication technology is that the research of an individual scientist or engineer in a relatively unknown community in Asia can quickly be made known in the bastions of the most prestigious university or corporation.

Review _____

Global leadership covers numerous topics. Although there are cultural and societal differences, there are many common interests. First a look at the global perspective looks at the economy, culture, language, currency, and travel of a global community. Global power looks at the question "What is unique about your culture that you wish more people were aware of?" Power then looks at the fall of some nations and the rise of others. The Pacific Rim has become the major economic consortium of the world. Exchange in global education has raised the bar on both sides, the society providing the training and the culture obtaining the information. Culture is the value and mores of a society. The culture represented by the old media does not necessarily reflect the values of the society. Technology is the magnet that brings global alliances. Countries that develop a strong economic trade seldom risk that relationship with military conflict.

Application _____

1. What is unique about your culture that you wish more people were aware of?
2. How can you tell people that what is on TV is not the culture and values of your country?

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10

ETHICS AND PROFESSIONALISM

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Thought
Do unto others
As you would have them do unto you
The Golden Rule

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Ethics _____

What is ethics? What does it have to do with leadership and success? How do ethics relate to morality? How is ethics different from character? Are there absolutes? Is ethics cultural?

The first book in this series addressed character traits through a restatement of traditional values recorded by the ancient scholar Paul of Tarsus. The terms and concepts were identical to what he defined as fruit of the spirit, but were translated into the current vernacular.

One of the character traits was morality, which was defined as conforming to right and wrong human conduct. Sir Francis Bacon (1561–1626) was an English philosopher and politician during the time of James I. One of his works *The Advancement of Learning* addressed the subject of morality.

> For the end of logic is to teach a form of argument to secure reason, and not to entrap it; the end of morality is to procure the affections to obey reason, and not to invade it…
> -Sir Francis Bacon

Bacon contended that the result of morality was to cause the emotions to follow reason. He asserted that it was reasonable and logical to pursue morality. It makes sense to follow a moral course.

The word ethics comes to English by Old French from the Greek. It is defined as the study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy. [American]

> Ethics is the philosophical study of morality. Ethics form a belief system.

The founding fathers unequivocally had a philosophy of ethics. The first President, George Washington wrote about these concepts in his First Inaugural Address.

> There is no truth more thoroughly established than that there exists in the economy and course of nature an indissoluble union between virtue and happiness.
> - President George Washington, First Inaugural Address

President Washington continued his advocacy of morality in his farewell address.

> Of all the dispositions and habits, which lead to political prosperity, religion and morality are indispensable supports.
> - President George Washington, Farewell Address

He further wrote about guidance from higher authority as enlightenment.

> It will be worthy of a free, enlightened, and at no distant period, a great nation, to give to mankind the magnanimous and too novel example of a people always guided by an exalted justice and benevolence. Who can doubt that, in the course of time and things, the fruits of such a plan would richly repay any temporary advantages which might be lost by a steady adherence to it? Can it be that Providence has not connected the permanent felicity of a nation with its virtue ? The experiment, at least, is recommended by every sentiment which ennobles human nature.

- President George Washington

Dr. Huston Smith is a former professor of religion and psychology at MIT. He is the Thomas J. Watson Professor of Religion and Distinguished Adjunct Professor of Philosophy, Emeritus, Syracuse University. Dr. Smith is the author of, *Religions of Man*, which has sold over two million copies. One of his books is *Beyond the Post-Modern Mind*. On October 26, 2000, he gave a lecture at Kenan Institute for Ethics, Duke University, entitled "Why Religion Matters, The Future of Faith in an Age of Disbelief." The essence of Dr. Smith's presentation is that values matter, even if some in the culture dismiss them.

Ethics are absolute. They do not change with time or society.

Although they may not be uniformly appreciated and applied, ethics still exist. The principles of ethics are summarized in the last six of the Ten Commandments.

What if there are conflicting ethical principles in a situation? Then follow the rule of the greater good, i.e. which action, if all seem equally ethical, should be chosen? The dominant one is that which creates the most good, or the least evil. For example the protection of life supersedes the principles against theft of property. In the common law, self-defense or the protection of others is always a defense to a charge of assault or wrongful death. Protection of property is not.

The practice of ethical behavior is clearly stated in the Golden Rule. [Matthew]

Do unto others, as you would have them do unto you.
- Matthew 7:12

The Roman and Jewish politician, Matthew, recorded this particular model about 40 AD. The Golden Rule is recognized in one form or the other by all the great world religions and cultures. Confucius (Kongfuzi) called it reciprocity. [Confucius]

Ethics are a fundamental tenet in traditional Western religious training. There is a US Office of Government Ethics. Each of the major professional societies has a Code of Ethics. [IEEE] Ethics are about how we behave and relate to others.

Ethics vs law   _____

Ethics are not law. There may be no corresponding legal requirement to an ethical issue. There may be no law requiring you to report a fellow employee that is stealing or falsifying reports, but would it be ethical to suppress this information? Regardless of the legal requirements, ethical character traits are excellent guidelines in dealing with any situation.

A question that is occasionally raised is whether it is possible to teach ethics or morality. The contention is that morality is the product of familial and cultural development and cannot be taught. That thought process really begs the question. What are the family and culture doing to instill this sense of morality other than teaching?

The Congress that adopted the First Amendment and passed the Northwest Ordinance, the first law governing the western territories, contended that morality could be taught. One of the purposes of public schools was to teach morality. [Northwest]

> Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.
> - U. S. Congress, Northwest Ordinance.

Ethics and morality are philosophy with principles. Each course that is taught with an objective of creating understanding simply goes back to the principles or fundamentals, regardless of the topic. Can mathematics be taught? Obviously. How is it taught? Teaching is by relaying mathematical principles and philosophy.

Any topic which can be categorized as philosophy can be taught. Therefore, ethics can be taught in the context of philosophy and

religion. There is a rational explanation for morality, as was noted above about Sir Francis Bacon over 400 years ago. [Bacon]

Perception _____

A Gallup poll evaluated the professions in terms of their perceived values. [Gallup] The top ten list of professions with very high or high honesty and ethics are cataloged.

1. Nurses
2. Druggists, pharmacists
3. Veterinarians
4. Medical doctors
5. Grade & high school teachers
6. Clergy
7. College teachers
8. Dentists
9. Engineers
10. Policemen

Equally telling is the group at the bottom of perceived ethical value. The percentages shown indicate the proportion of people surveyed who thought that these professions ranked very high or high in ethics and honesty.

- Business executives (18%)
- Congressmen (17%)
- Lawyers (16%)
- Stockbrokers (15%)
- Advertising practitioners (12%)
- Insurance salesmen (12%)
- HMO managers (11%)
- Car salesmen (7%)

The professions that fare well are those that are seen to help people. The ones that did not do so well are the ones that are associated with the pursuit of money. The people surveyed do not seem to

understand the give and take that is involved in those professions is a necessary and important part of society and its lifestyle.

George Zinckgraf is a California member of the National Society of Professional Engineers. In a professional paper, "Ethics and Engineering" he identifies a survey of 1000 corporate executives. [Zinckgraf] A list of professions was given and the respondents were to rank them by selection of which profession was most ethical. The total response was 100%. In contrast to the Gallup poll, rather than being the public at large, the respondents in this survey were people that actually deal with the professions.

Profession	Percentage
Engineers	34
CPAs	24
Doctors	17
Lawyers	8
Dentists	7
Others/don't know	10

The issues and principles that we have addressed throughout this series are equally applicable in all the professions. If exercised properly and consistently, individuals within the professions would stand out among their peers and the public.

Who is on first _____

Relationships, as was identified earlier, have three dimensions: internal, horizontal, and vertical. Ethical dealings, then, must relate to those three areas. Specifically, there is a societal or cultural perspective (internal), a client or employer relationship (vertical), and a peer relationship within the profession (horizontal).

Is there conflict in the ethical relationship between these? If so, who gets preference? If ethics are absolute then there is a correct response to a given situation, at least one. If there appears to be a conflict of principles, follow the rule of the greater good.

A smattering of ethical challenges __

There are some big deals and numerous smaller matters where ethics may be an issue. On a popular radio talk show, *Dr. Laura,* every caller has a question for the counselor. [Schlesinger] Virtually all of these are framed in the context of a moral dilemma. In fact, the host often begins the discussion by asking the caller "What is your moral dilemma?" As the doctor frequently explains, most problems are not a moral issue, but an issue of facts that the caller does not want to face.

The next several paragraphs delineate a number of ethical issues that I have seen over the years. These are far from exhaustive and some of the issues are obviously related. All of these have been positively resolved. No names will be given to protect all parties.

Conflict of interest arises when an employee performs a task that is in conflict with the employer's best interest. One that came up more than once was an employee selling used, idle equipment that belonged to the employer. This is obviously theft. How does that correlate to things that happen with office supplies?

Another example arises when an employee selects a supplier of equipment based on what the employee gets out of the deal, rather that what is the best deal for the company. Often this situation arises when there are familiar connections with an outside vendor. Obviously, we want to do business with people we know and like, but when is the line drawn between corporate and personal responsibility?

Confidentiality arises when protecting proprietary information. Most material work product has a stamp that says this is confidential information for the sole use of the client. This circumstance arose when an employee provided consulting services to a competitor. That could be called theft of trade secrets besides being very poor judgment.

Another case on which I worked involved former employees that had started a competing enterprise. There is nothing illegal about that. However, their product was virtually identical. When their documents were subpoenaed, they could be analyzed. I found that they were copies of the original to the point that they copied the errors. The case was decided for the owner of the technology.

Kickback is a strong negative description of contributions that some think borders on bribery. In many jobs and bidding, there may be very little major difference in the bid response. How is one vendor selected? He may be given additional information or consideration in return for a contribution. A project manager had a number of large jobs in progress. In order to stay on his preferred list, the suppliers were required to equip his farm with various large items.

Another that is subtler, and may be approved within the organization policy involves trips. A vendor may invite his better clients on a short vacation, hunting, or entertainment trip. He may pick up the tab for the entire venture. This can be considered as appreciation for a continued beneficial relationship, but in some circumstances it can be considered otherwise. When in doubt, spell it out, and get clarification. Many organizations limit the size of gifts that may be given by vendors for this reason.

In contrast, there is nothing improper about paying a legitimate *finder's fee*. This is compensation for advertising, sales, promotion, or legwork that leads to obtaining a job. It is no different than paying a commission to a sales or brokerage firm. Because there is no formal organization to perform some of these tasks, payment of a fee may happen in a variety of ways with consulting firms.

Whistle blowing is the reciprocal of the other acts. This involves an employee or contractor "blowing the whistle", or reporting wrongdoing involving an employer or client. The employer may be doing something illegal or unethical that the professional becomes aware of. One of the first major legal cases I worked on came about because of a whistleblower. A young journeyman electrician became aware of a numerous serious violations of the *National Electrical Code* by the contractor. [NEC] When he addressed these

to the supervisor, it was explained those were outside his area and were for someone else to handle. He compiled a record and gave it to the plant manager. The litigation lasted for almost 10 years. Although not complicit in the action, the architectural and engineering (A&E) firm was charged because they hired the contractor.

There is a price to pay for being a whistleblower. Bertrand G. Berube was a regional administrator with the US General Services Administration. He blew the whistle on unsafe workplaces. For his service, he was fired. He wrote about his experience in "A Whistle-blowers' Perspective of Ethics in Engineering." [Berube] He identifies the areas of retaliation that may come from the organization.

1. Make the dissenter the issue, rather than the practice.
2. Isolate the dissenter so that he does not have access to information.
3. Appoint him to solve the problem, then make a solution impossible.
4. When the problem is not solved, fire him for incompetence.

There are other costs to the dissenter in loss of work, legal fees, and rejection by friends. The dissenter, by speaking out, has risked his future. The one vindication for Berube was that the Congress six years later unanimously passed *The Whistleblowers Protection Act*. [Whistleblower] Years later, Bertrand Berube received a financial settlement from the government.

Professor Stephen H. Unger of Columbia University, New York, helped develop the IEEE *Guidelines for Engineers Dissenting on Ethical Grounds* [IEEE] and has written *Controlling Technology: Ethics and the Responsible Engineer* [Unger]. His counsel is "make sure you are right." Do not exaggerate at all. Even if you are 1% off, that will be the point of focus.

Professor Brian Martin of the University of Wollongog, Australia, has written *The Whistleblower's Handbook* [Martin]. He has significant advice.

1. Do not trust too much.
2. Collect enough evidence for the problem that is to be exposed.
3. Build support among colleagues and others.
4. Wait for the right opportunity to come forward.
5. Prepare an escape route.
6. Weigh your options.

Dina Rasor is principal investigator for the Military Money Project [Kumagai]. She asserts whistle-blowers tend to have a real strong sense of right and wrong. She has two word of advice: Stay anonymous. The preferred path is to leak the information through a nonprofit, trusted reporter or friend, without identifying yourself. Then the fraud becomes the issue rather than the person.

Professional conduct concerns issues that are regulated by a professional board. An acquaintance was hired to design the foundation for a structure. Without his knowledge, the client used the same design for multiple structures at different locations. Although he had no knowledge of this activity, the designer was reprimanded by the professional board for not reviewing the drawings for each location. Although the fine was minimal, he challenged the board in order to protect his reputation. After several years and substantial legal expense, the board finally agreed with his contention and the fine was overturned.

When in Rome _____

International culture is different than the cultural norms in the US. The philosophy of government, enterprise, and relationship transactions may be unlike anything we know. When we go into another culture, it is not our option or responsibility to try to change the world.

   When in Rome, do as the Romans do.
   - Ancient proverb

Gregory Y. Titelman in *Random House Dictionary of Popular Proverbs and Sayings* credits the proverb to Saint Ambrose (c.340-397). [St. Ambrose] It was advice to Saint Augustine. The Latin and English translation read: Si fueris Romae, Romano vivito more; si fueris alibi, vivito sicut ibi ("When you are in Rome live in the Roman style; when you are elsewhere live as they live elsewhere").

Some people want to change the structure of the world. They do not want to buy products from certain countries because the countries do not treat their employees the same as we do in the United States.

We have traveled to a number of countries and seen very different cultures. My wife and I made a visit to an Asian country a few years ago. After visiting with our hosts in the front office, we were invited to tour the plant. It was a dark place with dirt floors and all the labor was performed manually, and not by machines. After visiting several plants of different types, I asked my wife why the working conditions in these plants did not disturb my senses more. Her response showed great wisdom and insight. It was because the people employed at the plants have it much better than those outside. It may not have matched plants at home, but it was a positive contribution to their society.

Another circumstance occurred at a large industrial plant in Latin America. The work conditions did not match U.S. Occupational Safety and Health Standards (OSHA) in many areas. The biggest concern that I had was for the eight and nine year old kids that were working at various chores in the plant. Although they were not abused and were treated kindly, this was disconcerting. I asked my client about the children. He was very matter of fact. We give them hope. If they were not there, he said, then they would be on the streets as beggars. Here, they were protected and were receiving a semblance of education. Again, I could not argue with the circumstances.

A final example may be enlightening. Certain large companies regularly hire professionals to perform work on long-term contracts overseas. In one circumstance, professionals were rotated in and out of a Middle Eastern company on a five-week basis. One group of

professionals was from a highly developed western country. Their associates were from an underdeveloped Asian country. Although each group of professionals did identical work for identical time periods, the group from Asia was paid about one-quarter of the salary that their western counterparts received. Is there an ethical dilemma here? There is not. No one was forced to work at this location, or travel to get there. Each individual agreed to work for the wages that they were paid. Each person was paid an equivalent wage better than what that professional could make performing the same work in his country. Although, for those from the Asian country, it was much less than we are accustomed to, it was still a fair wage.

So what is our responsibility? If we do not trade with these countries, then conditions there become even worse. We cannot change all the conditions at once. However, we can share our experience and value system and help them to begin the process of enhancing the conditions of their people. The most effective manner of instituting change is not by punishment or preaching, but by showing a consistent example of a better way to do things.

Review _____

Ethics is the philosophical study of morality. It has its roots in right versus wrong. The Ten Commandments are the basis of Western and Middle Eastern ethics. The Golden Rule illustrates the behavior in practice with others. Ethics can be taught in the context of philosophy and religion. Professions that deal with people are perceived as more ethical than those that deal with money. In the process of dealing with people there will be ethical challenges. When there is conflict go with the principle of the higher good.

Application _____

1. What is the difference in ethics and character?
2. Write a personal code of ethics. It should be approximately one paragraph. Short and succinct will keep you focused.

3. Describe a circumstance, beside the one in the chapter, that does not appear to be ethical, but it is not illegal.
4. Discuss some pros and cons of whistle blowing.
5. What is a positive ethical contribution that a professional can make when in another culture? It cannot have a negative impact on anyone in the society.
6. In some countries, contributions are a standard practice. Should you pay a percentage of a contract that is awarded? Why?

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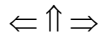
BENJAMIN FRANKLIN JUNTO

> Thought
> *Think excellent.*
> *Do right.*
> *Obtain peace.*

Model _____

Is there a model for leadership development? Is the topic something new? Does history have an illustration?

Ben Franklin was unquestionably one of the most influential leaders during the development of our country and representative government around the world. He was a very successful businessman, architect of government, diplomat, scientist, and philosopher. He had retired from his business by the age of forty. This allowed him the financial resources and time to pursue development of his other interests. [Franklin]

One of Franklin's keys to success was the development of support societies he called Junto. Dr. Franklin refined the idea from the early minister and philanthropist Cotton Mather. The Reverend Mr. Mather developed benefit societies for each neighborhood, while Dr. Franklin developed business societies. The Reverend Mr. Mather drew up a set of 10 questions to be read at each society meeting, "with due pauses, as a guide to discussion." Dr. Franklin

modified them to 24 business and personal questions. The rules of
the Franklin's Junto were adopted in 1727.

> I should have mentioned before, that, in the autumn of the
> preceding year, [1727] I had formed most of my ingenious
> acquaintance into a club of mutual improvement, which we called
> the Junto; we met on Friday evenings. The rules that I drew up
> required that every member, in his turn, should produce one or more
> queries on any point of Morals, Politics, or Natural Philosophy
> [physics], to be discussed by the company; and once in three
> months produce and read an essay of his own writing, on any
> subject he pleased. Our debates were to be under the direction of a
> president, and to be conducted in the sincere spirit of inquiry after
> truth, without fondness for dispute or desire of victory; and to
> prevent warmth, all expressions of positive opinions, or direct
> contradiction, were after some time made contraband, and
> prohibited under small pecuniary penalties.
> -Dr. Benjamin Franklin

Phenomenally, the impact of the Junto is still an integral part of
society. They developed the first fire department, fire insurance
companies, library, and public hospital. They provided police
departments, paved streets, and established the University of
Pennsylvania. The Junto recommended books, shopkeepers, and
friends to each other. They fostered self-improvement through
discussions on topics related to philosophy, morals, economics, and
politics.

By their nature, the groups were small. Dr. Franklin kept the
maximum number of members to the apostolic twelve. To handle
the growth and interest, members would organize new Junto.
However, a specific group was not informed of the association with
the other Junto.

The present terminology for Franklin's Junto is team approach. A
key criterion for a successful team is to have guidelines and goals.
The following is a structure that is patterned as closely to the Junto
as determined from history.

Goal _____

The goal of each member is to be free and easy.
- Free from vice,
- Free financially,
- Easy attitude, and
- Easily motivated.

The model was three tiered.
- Think excellent.
- Do right.
- Obtain peace.

This model is derived from the writings of the legal scholar Paul in a letter to a group at Phillipi. [Paul]

Questions _____

The process of each Junto was open discussion. The members regularly read books and provided an evaluation. Their interaction was maintained by a standard list of questions.

Have you read over these queries this morning, in order to consider what you might have to offer the Junto touching any one of them?

1. Have you met with any thing in the author you last read, remarkable, or suitable to be communicated to the Junto, particularly in history, morality, poetry, physics, travels, mechanic arts, or other parts of knowledge?
2. What new story have you lately heard agreeable for telling in conversation?
3. Hath any citizen in your knowledge failed in his business lately, and what have you heard of the cause?
4. Have you lately heard of any citizen's thriving well, and by what means?
5. Have you lately heard how any present rich man, here or elsewhere, got his estate?

6. Do you know of any fellow citizen, who has lately done a worthy action, deserving praise and imitation, or who has committed an error proper for us to be warned against and avoid?

7. What unhappy effects of intemperance have you lately observed or heard? of imprudence? of passion? or of any other vice or folly?

8. What happy effects of temperance? of prudence? of moderation? or of any other virtue?

9. Have you or any of your acquaintance been lately sick or wounded? If so, what remedies were used, and what were their effects?

10. Who do you know that are shortly going [on] voyages or journeys, if one should have occasion to send by them?

11. Do you think of any thing at present, in which the Junto may be serviceable to mankind? to their country, to their friends, or to themselves?

12. Hath any deserving stranger arrived in town since last meeting, that you heard of? and what have you heard or observed of his character or merits? and whether think you, it lies in the power of the Junto to oblige him, or encourage him as he deserves?

13. Do you know of any deserving young beginner lately set up, whom it lies in the power of the Junto any way to encourage?

14. Have you lately observed any defect in the laws of your country, of which it would be proper to move the legislature an amendment? Or do you know of any beneficial law that is wanting?

15. Have you lately observed any encroachment on the just liberties of the people?

16. Hath any body attacked your reputation lately? and what can the Junto do towards securing it?

17. Is there any man whose friendship you want, and which the Junto, or any of them, can procure for you?

18. Have you lately heard any member's character attacked, and how have you defended it?

19. Hath any man injured you, from whom it is in the power of the Junto to procure redress?

20. In what manner can the Junto, or any of them, assist you in any of your honourable designs?

21. Have you any weighty affair in hand, in which you think the advice of the Junto may be of service?
22. What benefits have you lately received from any man not present?
23. Is there any difficulty in matters of opinion, of justice, and injustice, which you would gladly have discussed at this time?
24. Do you see any thing amiss in the present customs or proceedings of the Junto, which might be amended?

For our purposes, the questions have been restructured to address the issues. These have been summarized into only seven unique, open-ended questions. These are also in the current vernacular rather than the language of 300 years ago.

1. What is of interest from the last book you read?
2. What story have you heard that is agreeable?
3. Have any of your associates failed at business, and what was the cause?
4. Have you heard of any associates thriving well, and by what means?
5. Have you or any of your acquaintances been recently sick, and what remedies have been used?
6. Who is going on a trip or out of town, if someone needs to establish a contact or send something by them?
7. Who do you know that can use help, and what kind?

Assignment _____

Dr. Franklin encouraged assignments for the members of his groups. Each individual was responsible for a session. Each member in turn produces one or more queries to discuss.

Also each party would write and read an essay on any topic. These should be short, in the area of 1 or 2 pages.

With the size and frequency, the assignments came around about every three months.

Rules of Order _____

Franklin was a stickler for order. He promoted its use in the early discussions about development of the country. In contrast, his objective for the groups was open discussion about a variety of topics. His rules of order are very appropriate for brainstorming and team development. He established four attitudes that reflect character traits and ethics.

- *Virtue* - Discussions are to seek truth rather than status.
- *Diplomacy* - There will be no dispute or victory in exchanges.
- *Curiosity* - Attempt to frame questions rather than make direct declarations.
- *Contraband* - A small pecuniary penalty (about $1.00) is due for infractions that involve direct contradiction, one-upmanship, or a negative attitude.

Schedule _____

The societal purposes are to always be convivial and encourage broad interests. Franklin met weekly on Friday evening, originally at a tavern, then at an owned library. To assure consistency, the Junto had a regular schedule. They met weekly. However, everyone was within walking distance. Bi-weekly appears to be more consistent with current lifestyles.

They also had group times other than the business sessions. Monthly physical activities were held in good weather. These may be with the spouse.

An annual dinner provided a formal time with spouse.

Commentary _____

Franklin's Junto is an excellent model for personal development and fostering creativity in an organization. Various philanthropists

developed these over a number of years. Franklin took the technique to its greatest success. Nevertheless, his practices are still appropriate for leaders who seek success.

Application _____

1. Develop a professional society for personal, business or professional development. How many members and what would be criteria for membership?
2. Develop a list of only 3 questions that adequately promote the society.
3. Develop a schedule for the professional society to aid members in development.

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- Paul, Letter to Philippians 4:8-9, *New Testament*.

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REVIEW VIA APHORISMS

A pithy saying_____

Numerous topics, ideas, and precepts have been covered. A summary of the principles is accomplished by a review of the aphorisms in the chapters. An aphorism is a tersely phrased statement about a truth or opinion. It is from the Latin by way of Old French and means to define. Leaders often use these brief sayings as quick reminders of principles.

The aphorism list is sayings the authors have used. Since everything we know is built on other's work, it is sometimes difficult to know if these are original, modifications of others, or are old adages. Credit has been given for those which we are aware. If there has been an oversight, we apologize and please let us know.

Leadership is an infectious passion, a winning attitude, and right action.

Leadership is the process of influencing more than one person toward a goal.

Success is simply meeting your goals or objectives in a particular time frame.

Any item that can be uniquely identified can be further explained by three components or members.

People are where they are because of the choices they make.

Attitude is what keeps you going when the competition quits.

If one plan does not work, chuck it. Get another one. Just keep your focus on where you want to go.

What is the universal symbol of measurement? It is the dollar sign ($).

People do business with people they like and respect.

Time is the asset that can neither be increased nor recovered.

Appetite: Keep your focus on your dream.
Attitude: Smile, it makes everyone wonder what you are doing.
Action: You can do it.

You will change, if you want to succeed.

Societal expectations are influenced by advances in technology.

Unlike a "zero-sum" condition, many can experience growth and wealth without it being at the expense of others.

To survive in the rapidly changing environment brought on by their own success, technologists must develop exceptional communications and people skills.

The difference between the successful and everyone else is what they do after 5:00 PM.

There is a very simple formula for making revenue.
    volume / person * number of people = income

The purpose of an organization is to maximize shareholder wealth.

Organizations change, they are not static.

Effectiveness is a function of leadership, training, character, culture, and communication rather than structure.

Quality is the pursuit of excellence.

Quality is integrity.

Unfortunately, many organizations place too little value on very talented individuals, because they do not fit a particular mold.

Move people, a known quantity, rather than hire new, an unknown gamble.

Create a place that will take advantage of the performer.

A valuable asset is literally invaluable.

Short-term thinking is the philosophy that has fostered unaccountability and resulted in failure of the organization.

Negotiation is the process of exchanging enough information about your position, collecting information about the other position, and giving on the unimportant issues until you obtain what is important.

Negotiate from a position of strength.

People do business with people they like and respect.

No one wants to pay or give more than necessary.

Get from where you are to where you want to go.

With patience and persistence both sides can win, if they are willing to negotiate.

Leadership culture is the interface between the organization and the subordinate.

Since these international students are the cream of their society, their interjection into our system is very positive.

Technology fosters education.

Technology has been the biggest impact on society and lifestyle since World War II.

Think excellent. Do right. Obtain peace.

Ethics is the philosophical study of morality. Ethics form a belief system.

Ethics are absolute. They do not change with time or society.

Principles _____

A control system diagram can graphically illustrate the pattern of the feedback process. An outside influence stimulates an emotional reaction. The emotion promotes a physical response. The mental faculties analyze the result and cause a feedback.

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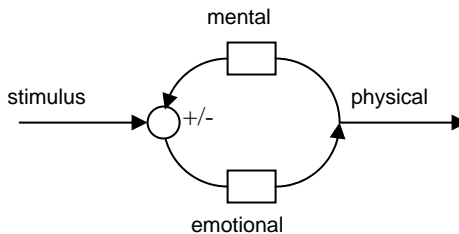
End

> Thought
> *The end or top of one phase*
> *is simply the beginning or bottom of the next.*
> Valedictorian speech by K. D. Durham

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ABOUT THE AUTHORS

Personal - MOD _____

As a business owner and a university professor, I am often asked how did you do it? The answer is easy, with many mistakes that cost me substantial time and money. First, I tried to do it myself without a mentoring process. Second, I originally bought the traditional idea of "get a good education, get a good job, and you will make it."

There is no such thing as a good job. In the dynamic world of the information age, everything changes quickly. Therefore, it is unlikely a job will last for more than five years. The other aspect is someone will make money from any venture. It is either your boss and the business owner or you the business owner.

My first degree was as an electrical engineer. Then I went to work for a big company. The firm became one of the top twenty-five largest companies in the country. The company does not exist today. You are the only sure thing that relates to you.

While there, I had the dream of working a few years. Then I would start a small electrical construction company and teach at a junior

college. That idea was fine-tuned to where I am now an international consultant and teach at a prestigious university.

While working, I went back to graduate school for a master's degree in technical management. Then my first business was started. Without a mentor, I thought I needed more education, so I started on a Ph.D. program. At the age of 39, with a wife and four children in private school, I quit the company and began consulting. At the same time I completed my Ph.D. program. Talk about mid-life crises.

Our income went from six digits to less than $17,000 a year. Was it worth it? You decide. The next year an old professor called and offered an adjunct professor position. In time and with persistence, that has turned into a tenured full professorship. Within three years of the plunge, we had started another business in aviation, bought an airplane, and paid cash for a new car.

We then started an internet-based enterprise and began purchasing real estate. A few years ago, we realized we needed to do a little financial planning and protection for our assets and children. While visiting with our attorney, he congratulated us on having a net worth that necessitated establishing trusts. With that bit of information, we went to dinner, then back to work.

The next milestone revelation came while driving one of our pieces of heavy equipment building a road on our property. My son and colleague simply asked, "Dad have you calculated the net worth of this property?" Enough said.

Has it all been easy? Are you kidding? Every successful entrepreneur I know has lost it all at least twice and has had to start over. We have lost it in natural resources ventures. We have had to change our businesses and seek new opportunities. We have wondered where the next dollar was coming. As you will find, reasonably intelligent persistence pays dividends.

Marcus O. Durham _____

Dr. Marcus O. Durham brings very diverse experience to his writing and lectures. He is an engineer, who owns THEWAY Corp., an international consulting practice. He is a Professor at The University of Tulsa. He is an Associate Professor at Trinity Southwest University and formerly Dean of Graduate Studies and Professor at Southwest Biblical Seminary.

He is a commercial pilot who flies his own plane, is a ham radio Extra Class operator, and has a commercial radiotelephone license. He is a registered Professional Engineer and a state licensed electrical contractor. He enjoys the family ranch and operating the heavy equipment.

Professional recognition includes Fellow of Institute of Electrical and Electronic Engineers, Diplomate of American College of Forensic Examiners, Certified Homeland Security by ACFE, and Kaufmann Medal by IEEE.

Dr. Durham is acclaimed in *Who's Who of American Teachers* (multiple editions), *National Registry of Who's Who*, *Who's Who of the Petroleum and Chemical Industry*, *Who's Who in Executives and Professionals*, *Who's Who Registry of Business Leaders*, Congressional Businessman of the Year, and Presidential Committee Medal of Honor. Honorary recognition includes Phi Kappa Phi, Tau Beta Pi, and Eta Kappa Nu.

He has published over 100 papers and articles and has authored eight books. He has developed a broad spectrum of projects for both U.S. and international companies. He has traveled in over 22 countries and has mentoring relationships with students in 15 additional nations.

Dr. Durham received the B.S. from Louisiana Tech University, the M.E. from The University of Tulsa, and the Ph.D. from Oklahoma State University. He has other studies with numerous educational and scholarly organizations.

Robert A. Durham _____

Dr. Robert A Durham and his wife have two children. Dr. Durham is the Principal Engineer of D2 Tech Solutions, an engineering and technology related firm concentrating on mechanical and electrical systems and conversions He is also Chief Engineer of THEWAY Corp, an engineering, management and operations group that conducts training, develops computer systems, and provides design and failure analysis of facilities and electrical installations. He specializes in power systems, utility competition, controls, and technology integration.

Dr. Durham is registered as a Professional Engineer in four states. His work experience is broad, and encompasses all areas of the energy industry. Dr. Durham's extensive client list includes the development of a broad spectrum of forensic, electrical and facilities projects for many companies. He also is involved with the audit of market participants in competitive utility markets to ensure that these facilities are adhering to the rules of the market. He has published three books, five magazine articles and over 30 other technical papers and articles.

Dr. Durham received the B.S. in electrical engineering from The University of Tulsa, the M.E. in Technology Management from The University of Tulsa, and a PhD in Engineering Management from Kennedy Western University.

Rosemary Durham _____

Rosemary Durham has equally intriguing credentials. She is a life mate who has been very involved in the family businesses. She is past President of THEWAY Corp. and is a partner in the internet based Advanced Business Technology, Inc. She is the principal for FIT, First Impression Techniques, an image consulting and analysis enterprise.

She has been active in traveling to over 15 countries on business and development. She has assisted in developing numerous papers. Her insight has been immeasurable in evaluating technical presentations and reducing them to non-technical applications. She is a ham radio Tech-Plus class operator and a photographer. She enjoys the family ranch and operates the heavy equipment. She is acclaimed in the *National Registry of Who's Who.*

Her service includes founder and president of Women for Missions, teacher, and leader of children ministries.

She is the mother of four adult children. Her nurturing shows in their success. Robert is an engineer and businessman, Christopher is a veterinarian, Karen is an engineer, and Sarah majored in marketing and language.

Mrs. Durham received the AB from Ayers Business College. She has additional studies at Imperial Valley College, Tulsa Community College, Oral Roberts University, Southwest Biblical Seminary and Trinity Southwest University.

She has extensive training from The Crowning Touch Institute. Her credentials are Certified Advanced Color Analyst: Introduction, Intermediate, and Advanced Color analysis and Image analysis.

She has co-authored five books.

The authors can be contacted at the publisher.

Cover

Dr. Marcus O. Durham is an author, lecturer, researcher, scientist, entrepreneur, university professor, seminary dean, international consultant, commercial pilot, amateur radio operator, professional engineer, and forensic investigator. He has published over 100 professional papers and articles and has published eight books. He is honored as a Fellow, Institute of Electrical/Electronic Engineers IEEE; Diplomate, American College of Forensics Examiners, Certified in Homeland Security; IEEE Kaufmann Medal, numerous Who's Who, and many of other professional awards.

Dr. Robert A. Durham is an author, entrepreneur, energy consultant, project manager, corporate executive, instrument pilot, professional engineer, and forensic investigator. He has published numerous professional papers and articles, many of which have received international recognition. He has published three books.

Rosemary Durham is an author, image consultant, administrator, executive, business owner, and international traveler. She is an amateur Tech-Plus and a photographer. She is a founder of women's outreach and teacher for ladies personal development. She is honored in *Who's Who.* She is a life mate and Mom.

The authors have written several books in the technical, philosophy, and development genres.

- *Who Is This God?* Marcus O. and Rosemary Durham
- *An Intellectual's Argument About God,* Marcus O. and Rosemary Durham
- *Micro-Controllers in Systems Design,* Marcus O. Durham
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- *Leadership & Success in Relationships* & *Communication,* Marcus O. Durham, Robert A. Durham, Rosemary Durham
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