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## SUMMARY KEYWORDS

company, book, business, call, talk, principles, shared values, philosophy, customer, successful, themes, teach, history, includes, year, characteristic, life, read, Tylenol, leadership

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No for over 30 weeks this year,

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largest non fiction book other than the Bible,

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in sales for some period of time now, in my view, it's the most important business book I've ever read by some considerable margin not even close, even to Drucker's books, and some others, which I have a very high regard for.

00:24

And to me, this book, is not a cause that really represents something fundamental going is more of an effect represent something fundamental going on in our society today. I believe that there's a convergence from all kinds of different walks of life, life, whether it be medicine, or science, or religion, or business, or families or personal ethics in a good and a converging and to use Landon's word last night, a whole direction. And I beat believed this book is a reflection of how that's affecting business and industry today, you would not be surprised if you've read this book to know how many businesses are taking this book. And now having little quality circles or whatever you want to call it, study circles in their company to study the themes raised in this book. They're that powerful. But I'd like to start with it. So having said that, this book appears in a broad context of what I believe is as fundamental a revolution in economic history is from the rural agrarian period to the Industrial Revolution. And that is from the Industrial Revolution to the post industrial era, which is described in many different ways. But that includes the knowledge society, the information society. So I believe it catches at the point of change when business is looking for what is going to work in a new business era. Because if you look whether it's ran off, or at US Steel, or International Harvester, or some other companies, you have to say in these large organizations, it is not working.

02:04

Most of the growth and jobs in the United States for the last 10 years, as many of you know have come from small entrepreneurial companies, the net job creation in this country is not coming from the large companies. Many of these themes are reflected in nesbit's book mega trends, which I would commend to each of you. Because again, its themes transcend simply what's happening business but represents some fairly evolution, revolutionary changes. Let me give you a few examples that I've seen recently in business or heard about, and see if these don't depict some of these major themes that are occurring in

business and in our personal lives today, and many of which are touched on in different ways in this book.

02:47

I recently saw a photograph of an AT and T transmission tower. And it's just wonderful. The thing was, I forgotten what it was three or 400 feet up in the air. It was built in the most monolithic strong way. And the engineering specifications of that tower are such that it probably has a useful life of about 600 years.

03:12

Now compare that on the other hand to the transmission tower being built today by MCI, MCI, as you know, as a competitor of the Bell System in telephone service today, size of the tower is probably about a third.

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The cost of it is less than 10% of the AT and T tower. Its useful life is estimated in excess of 30 years, which by the way is far more than the estimated useful life of the current technology. And MCI is stealing 60,000 customers a month from the Bell System.

03:45

We are in a world of change. And in a world if people don't understand what's happening and change whether it's in business or otherwise, they're simply going to be out in left field with a sun in her eyes. And I think you can see so many, many of y'all remember the example of the Austrian army. Just prior to World War One, they had the finest cavalry in the history of the world. They had the best looking uniforms in the history of the world. When war World War One appeared to be imminent. Some people came in to try to change the uniforms and to encourage mechanization of the Austrian army. The Emperor at that time said no. And in fact, we're going to order a bunch of new buttons for our uniforms. And these were a real bright, shiny button. Well, you know how long it took to deal with him those buttons became targets. You could see the infantry men and of course, you know what happened to the cavalry when they met tanks and modern weapons, the wrong image of the world. So I think all of this study starts, what is truth? What are the facts? Where is the river of the world flowing and trying to come into harmony into tune with that? Reality, of course is the real chance

05:00

College. Judy, I'm going to tell that story which she suggested I not tell anyway about differing perceptions to change. But I love the story so much, maybe some of you have heard it. It's a story of four people who were travelling in a train in Europe, from Paris to Rome. They go through a tunnel, in the compartment, are an old and very powerful General of the Army. And his bright young lieutenant is sort of star aid. There's an elderly, very kindly grandmother, and with her is her beautiful 21 year old niece. As they go through a tunnel that becomes dark. And you hear a very loud kiss.

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And then you hear smack a real loud slap.

05:51

Well, I'm sure each of you knows exactly what happened. And of course, those people know what happened as well. The general thought,

06:02

such a fine young man, he was the hope of the future of our army. But why did he have to do that? But why did the grandmother slap me?

06:14

The grandmother says that young man, he looked like such a promising fine, young man, how could he do that? But thank goodness, my niece has the high standards to slap him and rebuke that insolent Act.

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The

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young niece says, Boy, can that Lieutenant kiss?

06:33

The Why did the general have to slap me?

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The lieutenant says, Well, I bought an opportunity, get to kiss this pretty young girl and slap my boss at the same time.

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Think we live in a world of differing perceptions? We don't see the world necessarily as it is we see the world as we are. And so how do we come into tune with what is really happening in the world? Of course, that means multiple images. I'm not sure there's any work one truth here.

07:09

We recent let me take another image that I think is at work in the world. It's very hopeful. We recently lost a lease that we were trying very desperately to make with control data company in

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Minneapolis.

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They wanted to go in the top executives and wanted to go in our building, which was in Edina, which if you know Minneapolis is a fluent first class suburb of Minneapolis. But the Chairman of the Board of Control Data said no, we're not going to go in Edina. There's a very serious unemployment problem in St. Paul. And we're going to put this assembly facility in the highest unemployment area of St. Paul. Now, control data for those of you who have read this book is one of the book companies mentioned as the most successful one of the most successful companies in this country. Conduct controlled data has

a commitment to the general welfare of people in this country, not only to its own people, but to others as well. controlled data will put facilities into inner city high unemployment areas when no one else will go in there. It can be a plant and assembly facility. They were talking about one they're putting in San Antonio right now in a Hispanic neighborhood with very high unemployment, very high crime problems. I said, Well, don't you have we were visiting with him in Minneapolis this week. Don't you have a problem with security? I said not at all. First of all, we put several basketball goals in there, we always have a net and the basketball goals. And we have some lunch and tables out there and so forth, and we hire the people who live right there. And the stake they feel in our company is such that they make sure nothing happens to our plant. But here's a company with the stated philosophy that they're going to try to make a difference in these areas, they will come into a high unemployment area or minority area and put in what they call a Business and Technology Center.

08:57

They will bring in professional people who will help train startup minority businesses who have no capital and how to start a business, how to run it, how to account for it, provide consulting service, it provides secretarial computer assistance what is needed and I think that this stems from control data's philosophy. We're going to be talking more and more about that today. But this is a book on report on control data their own.

09:24

In a part of their stated company philosophy is this underlying control data strategy is our belief in the primacy of the individual. We seek to create a control data culture, where people are encouraged to develop their specific strengths and interests without lowering our standards of performance and accountability. We know from experience that when individual differences are recognized and nurtured, people will strive to better themselves and build a stronger company. And the guys I was meeting with in Minneapolis that control later this week, believe this with a passion and they're in a completely different department than these others but

10:00

They know that this company means its philosophy and it has a philosophy which is sensitive to people.

10:08

Another example that I'd like to give, which was hard for me to understand at first kind of stuck in my throat a little bit. Somebody mentioned Amway a minute ago,

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in 1982, which I think all of us recognizes a year of terrific recession and hardship in the United States.

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Tupperware company had sales of \$1.2 billion \$230 million in net profit, representing a 15% real growth rate, growth rate. Now what on earth is Tupperware doing right that US Steel and

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International Harvester and Allis Chalmers aren't

10:47

some of you that are familiar with Tupperware know that every night they have what they call a rally. And all the Tupperware salesmen come together, and they have all this hoopla and people go up on the stage and get recognition and ribbons. And it may seem to many people very corny, but it works. And then annually, they have what they call Jubilee, they take the people down to Orlando to the to their company headquarters and university and they'll treat them royally such much as Mary Kay does with their people there. But they have found the principle that attention and respect for the individual and positive reinforcement for the individual works. Now, many, most companies don't want to hear this. This is not what's taught in the business schools. And that's a thesis part of the thesis of this book. But to fail to understand the reality of the metaphor of Tupperware is to miss what's happening.

11:38

And of course, those of you who've read the book, One Minute Manager familiar, they make the same theme there except in a different way.

11:46

Anyway, those are perhaps a few. Let me mention a couple of other examples that I think are important. I've got a friend in Dallas. He's the president of Frito Lay and he was telling me recently, the story about a little store up in northern Dakota ran out of potato chips, and they got a call to the regional guy.

12:02

The order was \$30. But Frito Lay has this principle that you will not be without inventory on your shelves, they sent a man and a truck up to this little town in North Dakota, cost him over \$300 to make that sale of \$30. But that's why Frito Lay has 80% of the market in potato chips. You know you think of potato chips is a commodity, but they have 80% of the market because they know how to serve their customers. Another example that came up recently that all of you are familiar with if you know the company Johnson and Johnson if you read their philosophy statement, Johnson and Johnson says our business is to meet the needs of mothers, nurses, physicians with quality safe health care products,

12:47

Tylenol happens.

12:50

What did Johnson and Johnson reflexively do when the Tylenol scandal came up? We've got to ex executive of Johnson and Johnson with our company and I was talking with them. They immediately took Tylenol off the shelf and the drugstores. That act costs Johnson and Johnson \$150 million. And of course it turns out there is nothing wrong with their product. When you talk to the Johnson and Johnson people today. I said my goodness \$150 million dollars. Did you did you have some qualms about taking Tylenol off the shelf? And they said Not really? Me Not at all.

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And they believe the 100 \$50 million they spent on the recall a Tylenol is the best investment or public relations or what if they lived up to their philosophy? People will not question whether Johnson and Johnson means it when they talk about their philosophy in the future.

13:43

To medical researchers shared the 1978 Nobel Peace Prize for Medicine.

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They basically discovered an important brain some of you physicians know this a lot better than I do. I've only read about if they discovered an important brain hormone release mechanism. They spent 21 years on this research and in the course of that ground up and reviewed and studied millions and millions of pig and sheep brains, most of their colleagues engaged in this same research during that period of time criticize them and said this is a barren intellectual exercise and nothing's going to come out of it. When interviewed after they got the Nobel Peace Prize, the two medical researchers in asking in responding to the question of how they came about this. They said simply, we ground up more pig brains.

14:38

Persistence, if any of y'all have ever read that little book called The go getter. I send that book to every new employee we have in our company. It is a very, very strong book The Power of persistence and as you can see, I'm kind of scatter shooting here to make a few points which hopefully we can pull together. When we talk about the book.

14:58

Trammell Crowe and I made a speech

15:00

together at Harvard Business School this year, we do a lot of recruiting out of Harvard Business School. And during a question and answer period at the end of that, and forgive me if I'm going to tell some stories today about our company, it isn't to, I'm not going to tell you all the bad stories. But it's to, because that's really what I know. And that's why I'm telling the stories, it isn't to try to give any accolades to our company. But when asked by one of the students, what is the single most important ingredient for success in your company, to a large group of Harvard Business School students trammels said, Love.

15:39

Now branch, your Harvard MBA, did anybody else ever say that at Harvard Business School? Or was that taught in the course there?

15:50

Things are changing, and things are changing for the for the better. So let me visit about the basic themes of this book. And I'm not going to worry you out with this kind of silly chart up here. But let me just say briefly, this, the two authors of this book,

16:08

Tom Peters and Bob Waterman spent

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years and years studying literally hundreds of companies around the United States, trying to discern what were the practices and philosophies that distinguish the successful companies from the also ran companies.

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In the course of doing that this started out as a study commissioned by the Philips company, you know, the big Dutch conglomerate. And from that, they came to the development of the themes in this book.

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The, and what they said they call it their seven s system, and we're not going to dwell on this, I just show it to you.

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But what they said was, the successful companies have certain common characteristics. But it starts

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with the principle of shared values that's at the heart of the successful companies. Now from shared values, all the other things have to hang on that, but they hang on that they don't hang on something else. The structure of the company stems from that the systems which of course, support structure, the strategy, where are we going, stems from principle,

17:13

the skills that we develop in our own people and the way we treat them stem from shared values, staff support from shared values and the style, the whole tone, the culture, if you will, or the company stem from that? Well, there are many different models of successful businesses that are taught. One of the chapters of this book deals with debunking the so called Rational model, which is a model taught in most business schools,

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which has to do with analysis, statistics, planning, budgeting, research, and so forth. And basically, the beginning thesis of this book is, that may be interesting, but it doesn't work.

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Now, so this is the model that they propose for successful businesses. Now, there's another model, which I think contains an element that this does. And tonight, of course, you know, how you get to your shared values and how you develop individuals? Because they don't, we'll come later to what they say about this, but I think there's doesn't go far enough, what are the roots. And of course, I believe, as each of you does believe strongly that our spiritual roots lead us to the right shared values, or lead us to the right principles, and from the right principles. If we hold those will develop the right practices, we'll figure it out. But we've got the wrong principles, we're gonna have a hard time with the actions that Dr.



Stephen Covey who teaches at Brigham Young University, and he's put on several programs for our company, and who have sent tapes of his stuff to several of y'all

18:42

has a little bit different model, but it's the beginning point and at the heart is principles, right principles. Now from this, he develops for different aspects. And he calls this whole idea of synergy, and I think, would be another good word for this whole structure structure, some, you know, is greater than just the sum of its parts, the whole is greater than the sum of its parts

19:06

and principles then, so you have to have personal synergy. He says personal synergy consists essentially. And of course, we're talking about individuals now of balance, and integrity. And he has a wonderful talk, which if any of you would like a tape of I'll try to find one for you call the seven basic Habits of Highly Effective People, which is one of the most powerful sets of information that I've ever heard on that, then from personal strategy, of course, this personal strength,

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you can then go to interpersonal strategy, how you deal with others and you have to deal from your personal strength, not from your weakness. And here he says the crucial elements in synergy are trust and communication. And the principle he teaches and communication, which I'm going to refer to later, is seek first to understand and then to be understood.

19:57

Listen first

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diagnose before you prescribe, on and on many different ways to say that, from interpersonal then leads to groups energy. And groups energy involves the essential elements of development of the people and the group and team building. And I want to talk about the team building in just a second. And then of course, from this all of this flows, organizational synergy strategy, are we going the right direction?

20:24

Are we in the right business? Structure? How are we going to organize ourselves to get there? Systems? How do we know when we've gotten there or when we haven't? What reinforces strategy and structure. And now there's another element which a guy named Dr. DE Zs, who is a professor at UCLA Business School has talked about, which is, from my experience in our businesses have been helpful to me, he says is a successful business has got to have four different elements. And forgive me, y'all that are not in business for dwelling on this. But frankly, I think it applies to families to churches to any unit of life you want to talk about, he calls it PAEI production, get it done, you know, maybe the engineering mentality, administration,

21:12

accounting for it, the accounting, the tracking, you know, entrepreneurs, you know, the guy who's the risk taker has the vision, the hunter, if this guy is the tracker, he's the hunter, and then integration, who's the guy that can keep all these disparate elements going in the same general direction. Now, he says that no one person, one of the great myth in business schools, that there's a super manager out here who has all of these characteristics, he says, No one person has them. You have a, you're strong in production, and you're weak and entrepreneurial aspects, or you're good at administration, but you're not any good in dealing with people and trying to get them to work together. So he says successful businesses then develop complementary teams, which have all four of these aspects in strength. And I know one of the principal things I try to do in our company is focus on let's take our office in Charlotte, for example, are we covering all of these bases from strength? We're not trying to change people. Now, we tried to do that too. But we're trying to build complementary strengths. Complementary teams based on the strengths of people build around their weaknesses.

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He says the keys to building complementary teams then are mutual respect and trust. So I think all of these things are kind of interrelated, in a sense, and I'm not going to refer back to those. But just to illustrate, there are many different models to approach.

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This general idea.

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As I mentioned before, the book attacks the so called scientific or rational or

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statistical type methods of developing business success, and instead, it refers to language like George Gilder says, creative thought requires an act of faith. The whole idea of faith, the idea of faith coming from the heart seems to be a don't refer to it in those terms. And this book is this is a completely secular book. But nevertheless, I think there are scriptural principles dealt with that lead to these same elements.

23:14

One aspect that I'm not going to dwell on at any length today, they have a chapter in the book called man waiting for motivation. And of course, the real question is, what is the nature of man? And I didn't think it was worth your while. For one thing, I don't know. But I didn't think it was worth your while to try to dwell on that I had started out earlier to talk about what is the nature of work because I think the Bible is very clear beginning in Genesis two, on through the Proverbs even on into a VGA Ephesians, as Carol is talking about, of the fundamental and pervasive value and importance of work in our lives, but we're not going to dwell on that. But just touching on a couple of points. Man waiting for motivation. He debunks the basic reductionism, ideas taught by Skinner and Freud and his ilk, but rather set he's much more hopeful. Tone, man can learn, man can adapt, man can change man can respond to positive reinforcement, man can respond to a challenge. Man is seeking purpose and a part of the purpose of an organization is to help a person find purpose in his work.

24:23

And this is, I think, is a very hopeful view of the nature of man. And one that we'll see in these themes. He quotes Bruno Bettelheim, many of you know, as the psychiatrist psychologist wrote a lot of different things including the uses of enchantment and he was in a concentration camp. I remember World War Two I read one of his books accounting for that, but he quotes Bruno Bucha, Beto Haim, if we hope to live, not just from moment to moment, but in true consciousness of our existence, than our greatest need, and most difficult achievement is to find meaning in our lives. And those of you who

25:00

read Dr. Victor Frankel's book, Man's Search for Meaning and so forth. No, that same theme is reinforced. And of course, that reflects our Christian view as well.

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Of course, the realities are not clear, as we refer to other and therefore, leadership and companies frequently involves managing what he calls in the book, ambiguity and paradox. And the key then to managing ambiguity and paradox is to have shared values, principles, that those things can be a core of shared values and principles. We find in our company that we frequently speak in stories. And the best way to teach is to speak in stories and metaphors. If we're to tactic if we have too many policies, then we're always dealing with the exceptions, and we become legalistic bound, which I think is anathema to the success of a good company. You talked about Zen

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Buddhism a little bit last night, if those of you have read Zen and the Art of Motorcycle Maintenance, know that basically, how that book got started was is that the author was trying to read instruction manuals on how to repair and drive a motorcycle. And they were so complicated, so confused, so screwed up that he just, he said, the people who wrote these don't care.

26:18

And therefore he made the point that really success in business has the Zen aspect of a pervasive, caring, caring about your work. And I think that theme is taken up here. Well, let's look at the eight characteristics, as delineated in the book that distinguish the successful companies. And I'd like to encourage I know it's a little hot in here, and this is probably

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not entirely scintillating, either. So but if anybody has any questions, they want to stand up or anything or if you have some stories or anecdotes or rebukes reproofs corrections, please just fill in at any time because it surely won't bother me.

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And I really mean that. It'd be helpful to all of us. The first characteristic, which is enumerated in the book is called a bias for action.

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And to just take a few phrases in here used, the author says that at PepsiCo, they have a motto, do it, fix it, try it. Don't study it to death. Don't analyze it. We don't need 30 Page market reports. Try it, innovate experiment, experiment.

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coppers company, a very successful company, their motto is ready, fire aim.

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Judy and I were driving back from East Texas A few weeks ago, and I've had a complaint at McDonald's for some time. And that is that the Chicken McNugget basket only had six pieces in it. Well, I'm a more and I noticed McDonald's now has a basket with nine pieces in it. Somebody said try it. And McDonald's is very well known for that kind of experimentation, just as this castle bonita.

28:00

Napoleon once one time said, if you're going to take the piano, take the piano. And I think that's the idea here. Get with it. Now, of course, action has to be generally in the right

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direction. There's a wonderful allegory, I heard told here one time about these group of guys trying to get into a remote

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archeological site and they come into a very dense jungle. They get to the jungle, they immediately organize themselves very efficiently. They've got the machete guys going in there and hacking away. They've got the supply line all set up. They've got the machete repair guys all in action back in here. They're conducting a PMA seminars for the machete guys. And finally, the leader of the group gets their climbs up to the tallest tree, looks around and says wrong jungle.

29:01

So obviously, a bias for action is good, as long as we're, as long as you're heading in the right direction, on a bias for action. It seems to me too, that the New Testament is filled with this. If you look at some of the last things, Jesus seemed to have such urgency at the end of his life after the resurrection, and in his words, were filled with imperatives. You know, go teach, Feed my sheep, you know, as if they didn't get the message. He said it three times. You know, do get with it.

29:35

The second major theme, characterizing successful companies is described as close to the customer. Many people in our business have really missed the ball on this including us from time to time. They felt like the real estate development businesses essentially the investment business, or the construction business, or this or that our business is meeting the needs of our tenants the space need

30:00

eatin in the business community.

30:03

That's our business. And if you look at a company like IBM, for example, was such an extraordinary success and its history, and it's one of the companies prominently mentioned frequently in this book, their emphasis on quality, their emphasis on service, their emphasis on reliability.

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Chairman of IBM in their company,

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annual report describe their philosophy as he says we want to give the best customer service of any company in the world. IBM answers every complaint from anywhere in the world that comes into them within a 24 hour period. Every complaint that goes into IBM is on the chairman's desk within 24 hours after it's received. I think they are really serious about close to the customer service to the customer. I see many young guys come and apply for a job with us and they say their goals are to get rich, to make a lot of money to have a lot of lifestyle, you know, a nice lifestyle. And people may succeed in the short run on those, but in the long run, I believe that they have their eye on the wrong ball.

31:15

There's a wonderful little book called the 10 best sales persons. Again, I'm an avid book buyer and people always regret open their mail from me they never know what missive is in their necks, but I see in every person in our company, this book 10 best salesperson. And it includes the Edna Larson, the Amway agent, and it also includes Mr. Rogers, who's chairman of international marketing for IBM. So it's a span of types of companies. But there's a book in there about Joe a story in that book about Joe Girard, most successful automobile salesman in the history of the country. Joe Girard sends out 13,000 letters and cards a year, your birthday, you if you've ever bought a car from Joe or finos, about you, you get a birthday card and an Easter card and you get this and you get that. But he says that he hopes some of his customers buy lemons from him, because then I'll show him what I really mean about service. And he tell he teaches the people in his company. If you want to succeed in this business, you've got to get out of your shoes and into the shoes of your customer. If your customers got their car broken down, they're hurting, you have to hurt with them. You'd have to have this kind of empathy, empathy. Customers are never an interruption are never a pain in the neck. According to Joe Girard

32:35

at Disney World.

32:38

While Disney executives go out on the sites, and do the most mundane jobs, whether it's sweeping up serving ice cream, whatever it is, they rotate doing this during the course of the year to cry to understand their customer.

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The and many of you there's many examples in your own companies. I know. When we were designing LTB Center, which is our latest Office Building in downtown Dallas, we brought in several prime prospects, including Ernst and Whinney

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and laid out showed him the layout of the building. We were hoping to land Ernst and Whinney as a tenant in our building.

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We showed him our layout and said, What do you think help us design this building? Does this floor layout work for you? Does it not? Does this appearance is this helpful to you in your business? We do this frequently in the design of our buildings, we try to get our tenants or our prospective tenants involved in the process with us. And I noticed from this book that many very successful companies will get their customers to basically design the equipment they're going to manufacture by working, staying in touch with their customer.

33:45

key idea here and what we try to teach our people and they have a real hard time of understanding this is learning to listen.

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And you know, as I said in the thing before, and it's the prayer, famous prayer of St. Francis of Assisi says, Lord help me first seek to understand and then to be understood, first to listen, and so forth. And we try to teach this principle in our company. We don't do it as well as we, as we should. But beginning with the needs of our customer, not with our goals, not with our agenda, not our program. What is our customer need.

34:23

The third common characteristic which they describe in this book they call autonomy and entrepreneurship. They tell a lot of stories in here. One of the ones that you're familiar with is a story about a Howard head course the inventor of the prints racket, also the inventor of the modern ski, and he talked about over a period of years, Howard invented and tried out 40 Different ski models before he finally got the one that worked before he finally got it right but he never quit. He never quit. The company he was with permitted this kind of autonomy. Some companies it's called skunkworks guys, some major companies

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So if they want to go out and get some parts because they're trying to invent something at home, it's open shop, you come in and take all the parts out, you want to, they encourage this kind of innovation and initiative on the part of their people. And of course, this includes the

35:15

not only fostering innovation and change, but also permitting failure. And the successful companies apparently are able to tolerate failure, better than most now, not total failure, or otherwise, they won't be profitable and be around for another day, but they do permit mistakes and people feel the courage to take a risk. A lot of companies I know from the time I was practicing law, risk taking is not encouraged. People get the picture. Therefore they don't take risks. Therefore, not much happens in the company.

But we're risk taking innovation. entrepreneurial ideas are fostered and encouraged in a company tends to make a difference, apparently, of course, our company is one it's a little different than most we're owned by our own people. We have 80 partners who own we have a very decentralized horizontally organized company. Not every business would lend itself to that. And it is a definitely a bottom up type organization in our company, which works for us. We centralize certain few functions, but basically decentralized and those people have an ownership stake then in what they do. I'm the managing partner of the company and my salary is \$18,000 a year. Newest leasing agent we hire out of Harvard Business School this year Brenton will be paid \$18,000 a year, he could go to the work for the Boston Consulting Group at \$65,000 a year. The leasing agent will then make Commission's on the leases that he makes, we as partners make our share of the profits or cash flow or losses from the projects that we're in. So we try to get the incentive, in line with the idea of autonomy and entrepreneurship. And those two things working together at work for us.

36:57

I was heard a talk given by the head of marketing of IBM recently and you know, their name used to be stand for I've been moved. And he was talking about the changes in the world that's no longer it's not the world anymore, that young people will not be transferred, we found this same experience in our company. So we try to give multiple options to our people and IBM said they were trying to do the same thing. We try to stay in real close touch with the really producers in our company and try to give them as many options, the more freedom we give them we find, the more they do for us, the more trust we place in them, the more they deserve the trust. It's amazing. I've been reading recently and haven't yet finished a book, but I would commend it to you called Modern Times by Paul Johnson. He begins the book with the thesis that when Albert Einstein discovered the principle of

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relativity in 1990, and I believe when the principle was confirmed with that experiment, and in the eclipse in 1990, that ushered in the new era. And the new era era, he characterizes basically is one of relativity, revenue, relativity that affected every aspect of the world, not just science, but also obviously religion, family's business and everything. And unfortunately, we certainly see that too, that permitting differing goals and differing objectives is just a part of the reality. I'm going to come back in a minute and deal with talk about how we try to deal with that. But we're in a multiple option world for the people, young people that are in our company, and I think most companies,

38:32

fourth characteristic, which he talks about in this book, he describes his productivity through people.

38:41

You know, again, I think we've had the great misfortune in this history where Marshall McLuhan's prophecy that the medium is the message became true, and what a disservice. What a demeaning idea that has man, instead of people that somehow the medium television and other media became the message. But the basic idea in the book is that all the people in the company are the route the people are the route of the source of quality and productivity.

39:05



There's a very interesting study done in the book which talks about the nature of man the needs of man, and certainly any of this has to begin with what are the real needs of man, whether you study Maslow or Bob Rigdon, or whoever on this subject.

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But the point was made in the book that everyone likes to think of themselves as a winner, and in a series of long term psychological studies,

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on ability to get along with others. 100% of the people put themselves in the top 50% of the national population on ability to get along with others. 60% of the people rank themselves in the top 10% and 25% Rank themselves in the top 1% accountability. We see it you see what we think of ourselves on leadership. 70% of the people rank themselves in the top 25% on leadership ability, athletic ability, you think people would at least know them, so

40:00

else in this regard, in athletic ability, 60% of the people rank themselves in the top 25% of world class athletes.

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We think we're great.

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I remember this, contrasting this with the famous old line from Groucho Marx, which he says, I wouldn't dream of belonging to a club that would take a person like me as a member. That's not the way we think. So if that's the way we think of ourselves, we respond well to high expectations, we respond well to positive reinforcement. There's a famous old study done of this very prominent school in England in which they did their college entrance scores, or tests. And they got the MC the results mixed up. And they told the highest group on the scores that they had made the lowest. And then they told the lowest on the scores that they had made the highest score. And then they retested them shortly after that, the ones who had actually made the highest had a significant reduction in their scores. The ones who did the lowest had a significant improvement in their scores. And this idea, of course, we're now seeing coming in to education in this country. But what people think of themselves

41:14

is a primary factor in the thesis underlying this book. The author says, as was mentioned, this morning, we treat people as adults, as partners, with dignity, with respect, not as capital spending, not as overhead, not as needing requiring automation. I was with the president of Allen Bradley company in Milwaukee this week, he said is with his eyes lighting up, we won't need any people in our company in our manufacturing lines in two or three years. They have a contract with Buick right now. He said they'll make be like automobiles within two years that will require no people in the assembly line at all, totally automated. This is what Alan Bradley does makes these computer assisted, automated manufacturing system. There are many in you know, companies who have said, are people you know, particular unionized companies, our people are not a problem. It's the union's problem. This mentality has led to, I



believe the destruction of American business. And one reason why the Japanese with a much more sensitive view to human beings have so outperformed us.

42:22

And it's the little things in these companies that count Delta describes themselves as the Delta family, they believe in the extended family. I was searching for the word last night that the New Testament uses about a extended family the household is that oil? What is that word? What is it? What is it is it oil costs.

42:42

The household which is not just our immediate family, but all the people within our sphere of influence. That's the people we have responsibility for. And apparently successful companies take that responsibility very seriously. unsuccessful ones don't. Hewlett Packard states in their philosophy, men and women want to do a good job. And if they are pervaded provided with a proper environment, they will do so Hewlett Packard, one of the most successful companies in the high technology field. At Walmart, they don't call their people employees, they call them associates, Disney World, as you know, they don't call their people employees, they call them hosts or hostesses. The people who perform and other aspects, they call them the cast. But they're not employees, dignifying people.

43:32

And of course, the scriptures, I think, give us several examples of this not only the great commandment to love our neighbor as ourselves, implying a self worth and self esteem for which you can then love others. But one of my favorite passages and I think it's so important in a business is the parable of the one and the 99. How you treat the one in your business is the message to the 99. And the importance in leadership of companies to be sure you don't say something to that one that you wouldn't say that the 99 Because I believe that is the most powerful message in companies is how we treat the one how we treat the person with a problem. We had an example recently in our company where a woman stole some money from us.

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We really agonized over that because that's needless to say, not encouraged. We could we could have we could have fired her and she deserved firing. But we decided we would take a different tack. We visited with her about some length, we came to the conclusion that this there was some special circumstances she was under some emotional pressure. We got her some counseling we required that she go through this counseling process, come back and visit with us make some declarations to us and we transferred her to a different department where a default location was not possible. This woman has emerged as one of the most outstanding people in our company. Now that's not a universal you can't do that every time and there are bad people and you have to get rid of

45:00

You know the world is divided kind of in an energy sappers and energy enhancers. And you don't want a company full of energy sappers and you're not going to turn them all around. So there's a balance here. But nevertheless, I think there's, there's a lot of hope in our company. Now we've, we had a stereo top executive with a very serious drug and alcohol problem.

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We began looking into that trying to work with him, came to the conclusion, we needed an employee assistance program in our company to try to help people at their point of knee we have installed one.

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And as I began looking into that, and found out the statistics, it turns out that about, on the average 15% of all employees, and all companies have alcohol or chemical dependency problems, serious problems that affect their work. And most businesses, you know, this is the undiscussables subject. Most businesses won't discuss it, Judy and I were having dinner with the chairman and his wife of the large bank, Texas bank a month or two ago. And I asked him if he had an employee assistance program for his people for chemical and alcohol dependency. He said, No, we don't need it. They have like 5000 employees or 6000 employees. And I said, Why do you think that oh, he said, we have a policy in the bank, we do not permit our officers to drink during the lunch hour.

46:16

He honestly didn't know he had a problem. And he has a serious problem. There's a great deal happening in this in this whole field.

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So another element here, I think in productivity through people is to recognize and appreciate the small incremental gains the but singles, it doesn't necessarily have to be the home run, like Tupperware does. I've heard the story about again, about Napoleon that he gave more ribbons to soldiers and anybody in the history of warfare. And of course, you all know right, if you've been to Paris, you know, where he built in validez. You know, the hospital for his injured soldiers with the best view in Paris. He

46:58

I love it is I think wonderful economics as if people mattered.

47:05

And again, I think the theme of successful businesses is business as if people mattered. And so reward small steps recognize small incremental improvements in people. When I was practicing law. We used to hire these lawyers out of law school and they were determined to be the next Edward Bennett Williams, they were going to be the most famous prominent lawyer in the history of the world, or the most famous corporate lawyer, this guy Joe Flom, in New York, who's the greatest mergers and acquisition. I mean, this was their immediate vision of where they are. And I believe in visions and goals that I'd hand them after going through that a little while I'd hand them a little cartoon, which I've kept at my desk a long time to Charlie Brown cartoon, and shows Charlie Brown, talking to in a baseball game talking to Lucy and he says, you know, I'm going to hit the ball, the longest home run, I'm going to pitch the perfect game, I'm going to throw all strikes in this game, it's going to be the greatest game ever. Lucy says to Charlie Brown, Charlie, will you just try to walk out to the mound without falling down.

48:10

And I think that's the that's the image of the successful and coordinate with this is controlled data set in their philosophy is responsibility and accountability of people we don't do people favor if we don't hold them responsible and accountable. So by saying all this, I certainly don't. And this requires feedback and involvement with our people.

48:32

The fifth characteristic, and I'll move through this quickly, Mike is hands on value driven

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the philosophy of a company and leading up to that philosophy has more to do with how that company does and all the technological or economic resources available to that company that's consistent theme of this book. We've been collecting philosophy. So I've been studying for the last several years philosophy statements of company, it's really quite a, and you see some companies that their philosophy is a 15% growth and sales rate, a 20% compounded growth in return on

49:09

equity, and so forth. And then you see the companies that are talked about in this book is successful over in and out of season. That's not their philosophy. And it starts with their customers, with their people, and with their standards, their philosophy.

49:28

So we could talk more about that. But I think that, that that we've we've covered that somewhere. Of course, the Scriptures teach us happier those who know the will of God, and who do it.

49:42

Values. Principles are at the heart of everything we have to know and do just like Johnson and Johnson did in the Tylenol case.

49:52

There's another wonderful book I would commend to you by Erich Fromm called to have or to be and of course implied in

50:00

The title is the thesis of the book that being not having is the essence of life.

50:06

I remember one time when I first started practicing law, one of my one of my early mentors in law practice told me a story, which reflected on the responsibility of leadership. Because it is the responsibility of the leaders of a company to set the philosophy and the tone, the indicators of value. And that is one of the major roles of leadership in a company. He told me a story about a partner in their law firm were the most successful law firms in Dallas, they had a big securities client that had a big securities offering in New York. And when the closing was over with this lawyer, took his client out, and they went out and carouse around that night and boost it up and chase girls in one thing, and another.

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From that point on, that lawyer didn't represent that client anymore. Something happened. And the lesson that my law partner said to me was, your clients expect you to be a better person than they are. And I believe that's true of leadership and companies. And maybe it shouldn't be that way. But I think that's just goes with the territory,

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employ employees, associates, hosts, whatever you want to call them, expect your leadership to have a moral and ethical tone, which is superior to their own, and to be lived out and example. And I really believe this book reinforces that it didn't say in quite those words. And that's when in those crucial moments of the decisions that we make I find in decision making in business, it's never really a question of what's right, and what's wrong. It's a question of two competing relatively good ideas, or a choice between two relatively bad choices. Now, the question is, will the still small voice of God speak to us at that time? And I think that's the real challenge of leadership can Can God speak to us at those crucial moments of making those inherently ethical, moral decisions. The sixth principle mentioned in here are characteristics is called stick to the knitting. I don't think we need to talk too much about that. It's the essence of it is do what you do do well, and don't go off into a lot of most businesses. It is no longer the success it was once dream to be got into too many different businesses couldn't control them. It was not a it was not a successful concept. Most successful businesses who have made acquisitions or started up new business did so in a small manageable step by step way and built it up over a period of time.

52:44

And if they saw it was gone, going the wrong direction, they cut it off. You know, their first loss was their cheapest that that principle, Don and I know you teach to all your students very hard to learn. seven basic characteristics was is called simple form. Lean staff. Avoid bureaucracy is one of the fundamental things happening in American business today is hundreds of 1000s of middle managers are being fired in companies all over the country and they will never be replaced. It's not just a function of the recession. It's a function of the wrong idea of business. They will not be replaced. They choke strangle successful business. Were in a decentralization horizontally organized bottom up mode is Nesbitt. So I think correctly points out in his book megatrends. One aspect of doing this mentioned frequently in the book is what they call him WBA management by walking around. And I'm a very, very strong believer in that you just got to go where the folks are. You can't understand your business, reading reports on a computer, talking to staff, people, formal meetings, you got to go where the folks are and talk to them whether it's on the factory floor. In our case, we have 45 offices around the country. And unfortunately, I traveled two or three days, but you gotta go. As this week, Judy went with me. We went to Chicago, many women walk in Minneapolis and Denver before coming. You can't know what's happening in Milwaukee sitting in Dallas. And I think that applies to every part of our business and they refer to it here as management by walking around. It's also the human way.

54:21

We in our office, and again, please forgive me for talking about our company because we're not a model. It's just what I know about. We believe strongly in the Open Office concept. My desk sits right out there in a big bullpen area. The other partners are out there Trammell crows desk is right over here

by mine, we can jump in and out of meetings. We can get on the telephone and talk to each other. So it's efficient in that way. But the most important thing is it conveys to our people is that we are open. There are no secrets. And we are available. And unfortunately it's all day walk right up to our desk, they'll interrupt anything you're doing. You sometimes have to go off and hide somewhere to get some serious work done, but

55:00

But I think it is a human message. We're just all for folks in there working together. And we're all there to help and reinforce one another. And I think if we have that open, easy reality ethic within the company that I think it helps. One other point on this, I want to make that

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how few people make all the difference in a business. And I don't know the right way to get my arms around this or describe this. Land had mentioned last night about so many people caught up in the process that captures a major problem in business today, people are process oriented, the paper comes across, they go through it, it goes over, they don't think. So I'm on a missionary zeal in our company telling people from the property manager in our warehouse business in Chicago, to the head of our tax planning group in Dallas. Three words, they think I'm totally nerdy. I say, think, think, think, what are we doing? Why do we have to do this? You know what's important, because so many people and I believe that they've let themselves slide down to a lower denominator than that of which they're capable by not thinking. And it makes so much difference to the company, I can tell you a lot of examples of that. But it's kind of back to that like that jungle illustration. Another one similar to that is we have these people, they are climbing up these ladders, they are excellent climbers, and they get to the top and it's the wrong wall.

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And there are so many people in business that are process oriented, they will go through the motions, but they don't think those few thinkers, we're trying to challenge our people. How do you think about the business relate to the big picture.

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And following that, then as a service ethic, I'm the managing partner of our company, my job is to serve the people in the company, sort of the DAO model of leadership, if you will, and I really believe it works. And so we're trying to inculcate by example, and talking words do make a difference. The service ethic.

57:06

Finally, the

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last characteristic mentioned in the book is called simultaneous loose tight properties. You at one time,

57:16

have coexisting some Firm Central direction, or some firm central core values. The shared values are shared principles. And yet a tremendous amount of autonomy, individual autonomy, a tremendous

amount of diversity and keeping these things alive is I think, again, a big challenge for leadership, we believe very strongly in that, that out of diversity, a unity on certain key principles and ideas, there are some things we are real hard and fast about. But most of the things were really easy about in the sort of mentality, there are many roads to heaven, there's many ways to accomplish these goals. Were rigid about a few things, but very loose about a lot of other things.

58:00

And I could go on about that, but it isn't worth your while to do so.

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And our view is that if we do these things, right, serve our customer.

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have good relationships with the people that we do business with,

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view ourselves as a business family, in all the meaning of that in the person's total life, not just in the job without infringing on your privacy, have high personal standards, high ethical standards. And at the end of our philosophy, we put have fun, we want to have fun. It's our company, life's too short, and there's an awful lot to laugh about in our company. So I'd like to close with a one of my favorite poems

58:43

from John Donne

58:46

doubt wisely. In strange way to stand inquiring, right is not to stray to sleep or run wrong is on a huge hill craggy and steep truth stance. And he that will reach her about must and about must go and what the hill suddenness resists. When so thank you very much.