

Introduction

This book is written in the belief that management dedicated to the principles of integrity, equity and uncompromising honesty is the foundation upon which successful enduring companies flourish. In today's environment of mergers and consolidations, these principles have been pushed aside and forgotten, trampled by the stampede to this year's bottom line, and a surfeit of management fads.

Disturbing Signs in American Business

Did you ever ask yourself why we are here? I mean, why do we exist? At the end of our time, when we take stock, what would we like to feel we accomplished in life? It has always been my simple view that each of us was put on this earth to leave things better than we found them.

For the last 20 years, the business schools of this country have produced many graduates that entered the investment community and management consulting industry well grounded in leveraged buy-outs, junk bonds, arbitrage, and corporate strategic positioning, but with little knowledge about the arts of effective management. The measure of success has been near term rate of return. Those same 20 years seem to have spawned a hard edged management philosophy which values ruthless style, greed, and predatory behavior over sound management practices.

One product of the last twenty years was the binge of leveraged buyouts that occurred in the 1980's. There is little doubt that many American companies grew complacent and slow to adapt to changes in the competitive environment and were in serious need of overhaul. It is also true that many well run companies fell victim to the frenzy of leveraged acquisitions financed by junk bonds and the subsequent disassembly of those businesses. This predatory behavior fueled what some would say was the largest loss of US industrial productivity since the end of WW2.¹

A second product of this environment has been the rise in management fads based on unproven theories, and theoretical but often bogus measures of effectiveness. What is most disconcerting is the readiness of senior corporate management to act with herd mentality in response to these fads. Spurred on by the near term bottom line, increased global competition and loss of market share, many senior executives have embraced the faddish teachings of the newest management gurus following each other down what seems a self destructive path. A 1997 National Research Council Study² concluded that many of these "innovations" have been embraced by both industry and government with inadequate evaluation or understanding, and dubious benefit.

As we enter the twenty-first century, we see the age of megamerger mania and so-called financial reengineering of enterprises. This has been one of the all time great fads of modern business, encouraged by Wall Street. It has provided a veritable feeding frenzy for management consulting firms. Freshly minted MBA's armed with the latest theories, hired as "facilitators" are dispatched to help "reengineer" your new merged company. In the short term, this strategy can result in the perception of increased productivity by acquiring sales base by merger while eliminating jobs (euphemistically referred to as "right sizing") through consolidation. The long term is something else again. These decisions are made by people who are rewarded for this near term performance by near term stock appreciation, but who will not be around when the corpus has bled dry.

It has been observed over the last 20 years that by any key measure, more than two thirds of all mergers fail.³ Some fail to deliver the benefits envisioned, and some just fail. There is precious little new evidence to refute that assessment. The primary beneficiaries of a merger are those who put it together. With the exception of the financial investment community and a few key executives who profit from the initial spurt in stock value, who are the beneficiaries of the mega-mergers and consolidations that have become the darlings of the Street? Have customers benefited? Has middle management? Has the work force? In the post-merger consolidation process, faddy noun-verb euphemisms have entered the vocabulary: "reengineering" of the enterprise, "right sizing", and "outsourcing". A current favorite is the practice of hiring long term part time employees to avoid the obligations and cost of benefits. In all of these new "management" techniques, the work force bears the pain of the cost savings, with infrastructure cuts that ignore the long-term health of the enterprise. They all seem to illustrate a lack of management integrity and a lack of respect for employees.

Taking Stock

Near term bottom line performance and steady growth is certainly important, but the long term health of a corporation depends on a balance between the short term performance and long term growth. The financial investment community's enormous influence with its natural focus on near term performance ensures publicly held corporate management's financially incited homage to this focus. The result is distortion of good management practice, short term profit achieved by sapping the future life of the enterprise, destroying employee loyalty, productivity and corporate capability. Can any of these results be viewed as leaving things better than we found them?

Striking a Proper Balance

The thrust of this book is that management should be a win-win undertaking that requires the balancing of short and long term objectives with high integrity. I call this philosophy ***integral management***. Integral Management suggests considering all the parts and interactions of the management job with an emphasis on mutual respect. The principles of this approach are based on management experience of 40 years of success during good times and bad. Its power is in its simplicity. But, like freedom, to sustain it requires vigilance.

Good management requires understanding the underlying forces that affect the enterprise. Too many managers today are too busy creating perception about the future, rather than assuring that future. Instead of understanding the underlying forces that are affecting the enterprise, we hear the words "vision" and "best practices" overused, while early tactical decisions based on real data are avoided. The result is that actions when finally taken are based on crisis control. These actions include saddling the future of the Enterprise with the costs of early out programs.

I have had the privilege of working, growing, and leading in a work environment that was the nexus of a high integrity company and high integrity customer relationships for all those years. Growing up with them as they evolved, learning and experiencing as they matured, I was able to witness and participate in their effectiveness first hand. I saw the successes and saw where failures occurred. I watched and dealt with other enterprises, both commercial and government where these qualities were not valued and saw how they performed. Each of the six or so leaders of this very successful enterprise, one of which I was privileged to be, added, updated and refined the ideas within the enduring framework. One thing I know for certain. They work! The proof is a 40 year record of on time performance exceeding requirements with a cumulative cost variance of less than 2 percent. When a company or agency truly operates in accordance with these qualities, it will consistently outperform others in virtually every way, including the bottom line.

The context of this book lies primarily in the experiences of the successful management of large technically challenging programs for the US Government. They were programs of national priority. They required substantial engineering and analytical efforts and invention on the fly, as well as solving unknown problems as they were discovered. As such, the customer and contractor teams bore an onus of public trust which was not taken lightly and pervaded every part of the activity. In today's environment the reader would be justified in being skeptical of that statement, and that is precisely the point of this book.

Virtually all of the principles espoused here apply to any business activity large or small. These principles are not revolutionary. They have evolved to meet new challenges and I have watched with awe as they fueled success. I have tried to update and capture these ideas on paper as we imbedded the philosophy in a totally new environment experiencing dramatic changes.

Scope of the book

This book examines most aspects of management, from the leadership of small groups, project management, functional management, to the general management of large enterprises. It is a book about the principles and disciplines of integral management, rather than particular tools of the management trade. There are many excellent books that address those aspects in detail. It is my hope that this book will show the need for these tools and spark interest in seeking out these sources.

While I hope this book is of value to anyone in business leadership, I have aimed it at those who are entering or in positions of project leadership. I did so, for two reasons. First, the complexities of today's products, be they coffee pots, world wide web exploitation products, or interplanetary probes, are driven by engineering, and require effective project leadership. Second, projects are the venue where all the resources of an enterprise must be effectively marshalled to achieve the project goals. Engineering managers should understand these

principles as well as the general management.

Anyone looking for the magic shortcut to management miracles or the Rosetta Stone for instant success need read no further. They aren't to be found here. Good management is hard work and demands common sense, integrity, and an inquiring mind.

While grounded in experience in managing large complex projects that involved extensive development and engineering as well as production, this book can be a handbook for all forms of enterprises and new managers who want to create an environment of high integrity and trust in their business. It is my belief that these ideas will help them become effective leaders in their enterprise. From leading people, contract management, managing suppliers, managing resources and assets to organizing an enterprise-- all of these are discussed in the context of uncompromising integrity, and its profound effect on building trust and high performance organizations.

Restoring Trust is dedicated to all of those who taught me these principles and to a future based on substance, not just form, and to actions that are congruent with words.

References

1. Akio Morita, former CEO of Sony Corporation
2. *Enhancing Organizational Performance*, National Academy Press publication, 1997 Ed. Daniel Druckman, Jerome Singer, Harold van Cott
3. *Managing the Merger* Philip H. Mirvis and Mitchell Lee Marks, Prentice Hall 1992

Copyright © 2001 L. David Montague. All rights reserved.