

# ATLAS BLACK: MANAGING TO SUCCEED


## CHAPTER 2: HOW TO MAKE GOOD DECISIONS (AND AVOID BAD ONES)




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BY  
LONDON



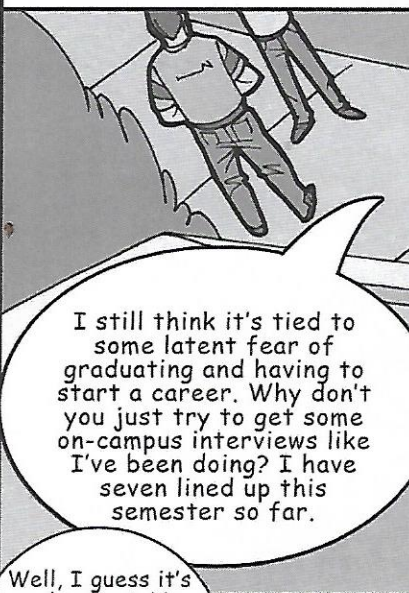
Welcome back, dear reader, to Atlas Black's epic struggle for success. Atlas is taking the steps toward a journey that will (hopefully) end in gainful employment and attainment of something he has thus far feared and avoided - a career. In this episode, we'll see if Atlas start making good decisions toward that end and, more importantly, avoid disastrous choices.



So, any more visits from your "friendly ghost?"



Very funny. And yes, I understand that the idea of running into a mystical figure that spouts off Zen-like business factoids is strange, but it really did happen.




I would if I had your 4.0 GPA. It might be a shock to you, but most corporate recruiters aren't lining up to get the inside story behind my 2.76.

I still think it's tied to some latent fear of graduating and having to start a career. Why don't you just try to get some on-campus interviews like I've been doing? I have seven lined up this semester so far.

Well, I guess it's good we're taking this class. Have you come up with a career management strategy to deal with your dilemma?

How can you be so smart yet so unfunny? I think I have to find some way to generate my own opportunities. That's why I want to start my own business somehow. I'm just not sure what exactly I should do.



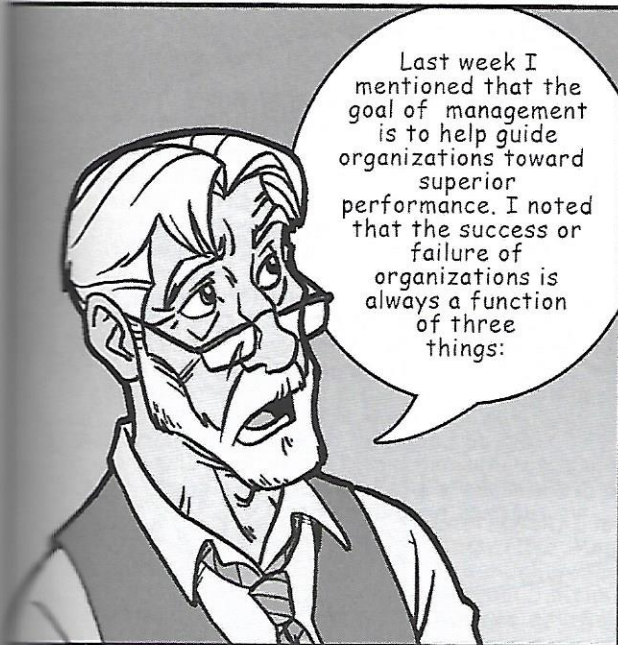
Well, try to stay awake in class and we'll come up with something this semester.



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Last week I mentioned that the goal of management is to help guide organizations toward superior performance. I noted that the success or failure of organizations is always a function of three things:

- (1) The leadership of the CEO and top management team, or for smaller businesses, the entrepreneur or founder
- (2) The unique resources of the organization
- (3) The industry context or competitive environment in which the organization operates



Of course, most firms' success over long periods of time is due to a combination of elements. For example, in terms of the importance of a founder, Campbell's soup was named after Joseph Campbell, a fruit merchant who founded the company in 1869.



Early in the history of the company, John Dorrance, a nephew of one of the Campbell partners who had a chemistry degree from MIT, developed a method to condense soup. This served as a source of first mover advantage (and unique resource) for the company because they could ship out smaller portions of soup than competitors and the customer could add water later.



Campbell's was always aggressive in marketing, originally selling their soup for 10 cents a can. Campbell's easily identifiable cans have given them a strength in marketing, so much that they were a source of inspiration for Andy Warhol.



In regard to environment, Campbell's is in a desirable position because everyone must eat, and its soup is affordable to most income brackets.





In addition to understanding the three main categories that drive firm performance, I think it is also important that you understand the unique way of thinking we will use in this class. To help in this endeavor, I want to explain the unique differences between the study of management and other business classes.

The most important thing you should understand is that management is first and foremost a study of organizations. The perspective of management is that of top decision makers. In an entrepreneurial or start-up firm that could be a single individual; in larger corporations or nonprofits top decisions may be made by a management team or board of directors. Regardless of the process of decision making, in this class we are most interested in how such decisions affect organizations.

## Management Versus Other Business Classes

<i>Class</i>	<i>Subject Matter</i>
<b>Management Classes</b>	
Human Resource Management	Policies, procedures, and practices related to the management of people within organizations.
Organizational Behavior	How people behave in organizations at the individual, group, and organizational level.
Strategic Management	The quest to attain superior performance for firms, businesses, corporations, or other organizations.
<b>Other Business Classes</b>	
Accounting	Processes concerning reporting and documentation within a single organization.
Finance	Investment decisions about particular investment vehicles such as stocks, bonds, or savings vehicles.
Macroeconomics	Trade decisions regarding economies or countries.
Marketing	Positioning of products or services in the marketplace.
Microeconomics	Industries and markets.
Operations Management	How products are created and distributed.



The idea of management and the systematic study of organizations is relatively new.

Flavor of the month!

Old fart!

Last week, I mentioned that Frederick Taylor's *Principles of Scientific Management* was written in 1911. So, management is a much younger field than, for example, economics, where Adam Smith's famous work *An Inquiry into the Nature and Causes of the Wealth of Nations* was written in 1776.

This history lesson is important because the primary way of thinking about business decisions in management is very different than in economics.

Economics is generally concerned with short-term profits, not the long-run survival of an organization. In fact, the famous economist John Maynard Keynes once remarked, "in the long run, we're all dead."



If you were asked in a job interview the most important characteristics for a company to be successful, what would you say?



Their unique vision?



Their employees?



Location  
Location  
Location

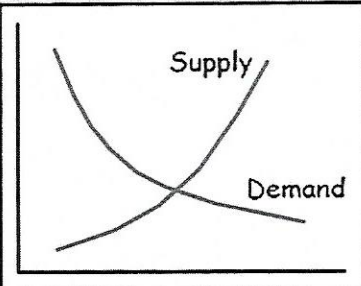


All of these are potentially correct answers. Microeconomics, with its goal of providing an intuitive understanding to key business actions and their consequences, assumes that managers have a very limited set of decisions that they can make to affect a firm's performance.

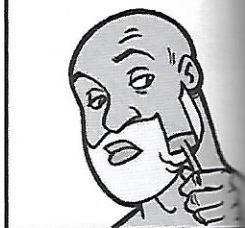
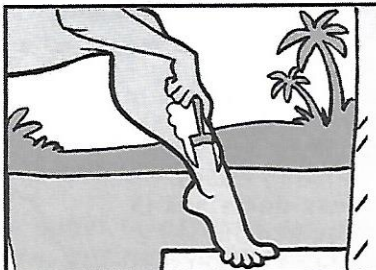
Specifically, they assume the main two decisions that can be made are concerning price (some measure of a firm's differentiation strategy) and quantity supplied (some measure of a firm's size).

However, we know that in reality firms differ in many, many more ways such as:

Price



Quantity



...the ability to introduce new products



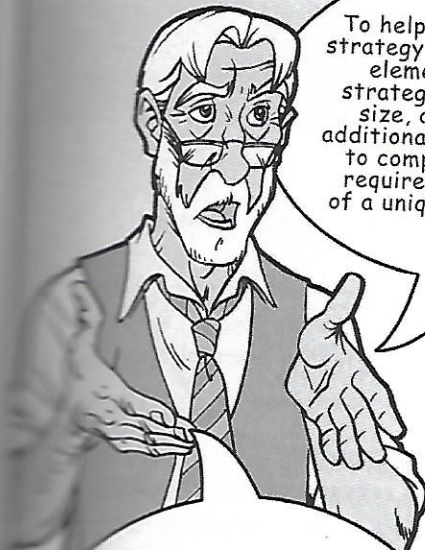
... the knowledge, skills, and abilities of employees



...their competitive advantages based on location.



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ocation.



To help develop a unique strategy that encompasses elements of pricing strategy, organizational size, and the host of additional elements needed to compete effectively requires a development of a unique organizational vision.



I wonder if this is anything like the mystical visions you've been seeing?



Vision refers to seeing something. In strategic management a vision is what an organization aspires to become. This can be contrasted to a mission, which is a more specific statement about why an organization currently exists and what goals leaders are working to achieve now or in the near future. The concept of vision has been articulated by notable thinkers throughout the ages.



Vision is the art of seeing what is invisible to others.



It's easy to see, hard to foresee.

Jonathon Swift - Irish cleric, satirist, writer of *Gulliver's Travels* and *A Modest Proposal*

Benjamin Franklin - Founding Father and inventor of bifocals, the odometer, and the lightning rod

quantity



acts



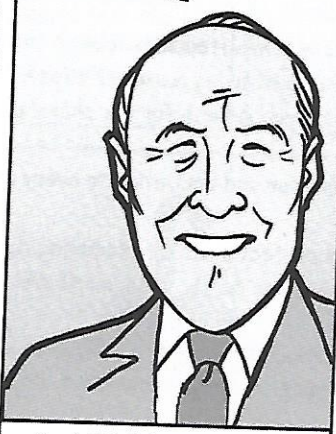
ion.

The most pathetic person in the world is someone who has vision, but has no vision.



Wendell Waller - author, activist, and lecturer

Control your destiny or someone else will.



Jack Welch - author and former CEO of General Electric

While vision looks forward, the future must be aligned with a more specific mission for the present.

At some point, firms must make a decision about what they want to be now. I should note that the Latin root of the word "decision" refers to the idea of cutting something off. Wise companies realize they must take their organization's vision and translate it into a more tangible mission that helps identify the unique aspects of the organization.



## Examples of Mission Statements

Company / Organization	Mission Statement
Anheuser-Busch	To be the world's beer company, to enrich and entertain a global audience, and to deliver superior returns to their shareholders.
The Estee Lauder Company	The guiding vision of The Estee Lauder Companies is "Bringing the best to everyone we touch". By "The best", we mean the best products, the best people and the best ideas. These three pillars have been the hallmarks of our Company since it was founded by Mrs. Estee Lauder in 1946. They remain the foundation upon which we continue to build our success today.
Fender Musical Instruments	We will exceed the expectations of music enthusiasts worldwide and create a community for individual expression by focusing on our people, products and business excellence.
Google	Google's mission is to organize the world's information and make it universally accessible and useful.
Harley-Davidson	We inspire and fulfill dreams around the world through Harley-Davidson motorcycling experiences.
Internal Revenue Service	Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.
Levi Strauss & Co.	People love our clothes and trust our company. We will market the most appealing and widely worn casual clothing in the world. We will clothe the world.
Limited Brands (numerous brands including Victoria's Secret and Bath & Body Works)	Limited Brands is committed to building a family of the world's best fashion brands offering captivating customer experiences that drive long-term loyalty and deliver sustained growth for our shareholders.
Nike	To bring inspiration and innovation to every athlete in the world.
Papa John's Pizza	To deliver the perfect pizza by exceeding the needs and expectations of our customers, franchise family, team members and stockholders.
Starbucks Coffee Company	Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.
Susan G. Komen for the Cure	To eradicate breast cancer as a life-threatening disease by advancing research, education, screening, and treatment.



Ultimately, a mission is only useful if it helps to guide an organization toward superior performance.

So, how do we measure firm performance?

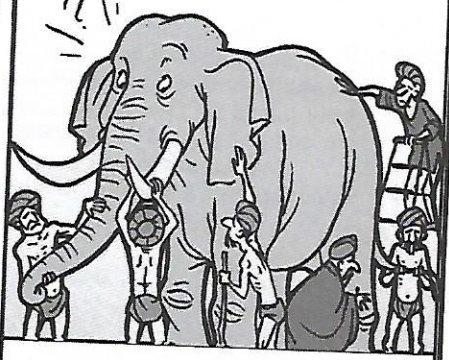
Sales?

Stock price?


In economics, performance is profits.

Man do we have some suck-ups in this class.

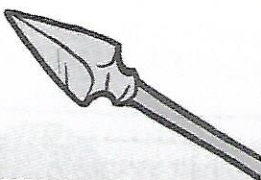
To fully understand performance in strategic management, you might consider the old story of the six blind men and the elephant.



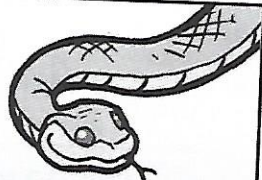
In India many years ago, six blind men went to "see" an elephant. Each touched a different part of the elephant.



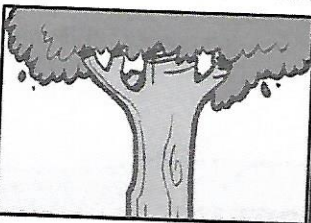
The first touched the side and thought the animal to be a great wall.




The second felt the tusk and thought they were like spears.



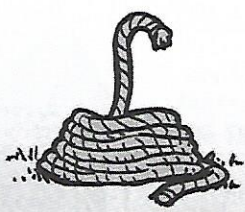
The third felt the trunk and thought it was a type of snake.



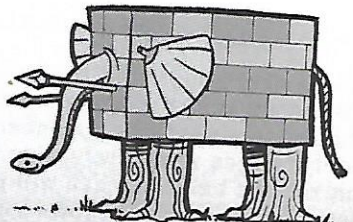
The fourth felt a knee, which seemed like a tree trunk.



The fifth touched an ear, which was like a fan.



The sixth felt the tail and thought the animal was like a rope.



If these men failed to communicate with each other, they would have all been partly right but generally wrong.



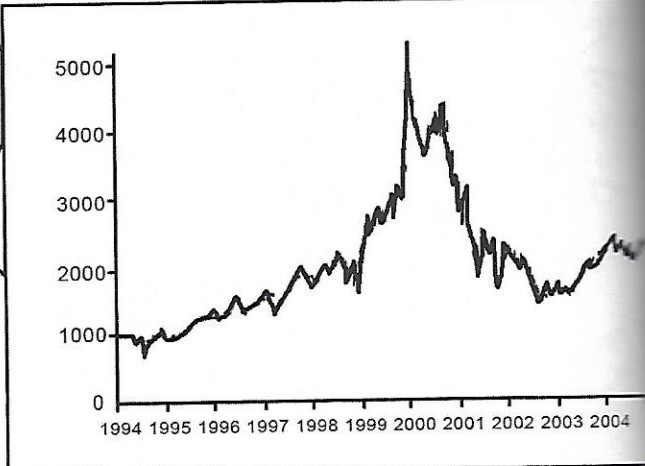


The process of understanding what an elephant is like by examining only parts of the animal can be compared to the process of assessing an organization's performance.

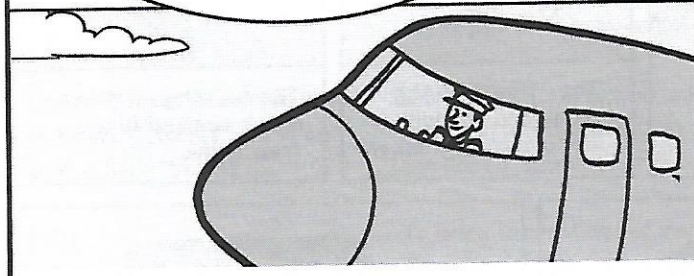
So, in this class, when I refer to performance I'm implying a complex definition with a number of elements. Performance can refer to profits as in microeconomics, stock price as in finance, or any number of accounting ratios such as return on assets. Of course, surviving over time and avoiding bankruptcy is performance too. For startup or entrepreneurial companies, this might be one of the most important measures of performance.



For example, sales is clearly one part of this elephant of firm performance, but most large corporations increase sales each year. Indeed, Enron was a top 10 Fortune 500 company the year they declared bankruptcy.



Stock price is a measure of performance for public traded firms, but many dot-com companies had explosive growth before their stocks crashed over time.



Scholars have suggested that understanding firm performance is like piloting a plane. It's important that managers consider a number of different types of performance when evaluating the success of their organizations because each will provide unique information to assess if the firm is on track. For example, airplanes must be on track in terms of altitude, air speed, oil pressure, and make sure they have enough gas to finish their flight plan successfully.



Our sales last quarter were off the charts, but our decreases in new customers suggest we should scale back production for the holiday season.

Each performance measure will also provide information that will be used to guide future actions.





One of the most well-known frameworks for understanding organizational performance adopted by numerous organizations across a number of industries is called the 'balanced scorecard' framework. The idea is to balance financial measures with other metrics that might be important for long-term performance. In their classic Harvard Business Review article, authors Robert Kaplan and David Norton describe their idea and framework:

"balanced scorecard"- a set of measures that gives top managers a fast but comprehensive view of the business. The balanced scorecard includes financial measures that tell the results of actions already taken. And it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement activities- operational measures that are the drivers of future financial performance.

Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying a plane, pilots need detailed information about many aspects of the flight. They need information on fuel, airspeed, altitude, bearing, destination on aspects of the environment, Reliance on one and predicted fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas at once. The balanced scorecard allows managers to look at the business from four important perspectives. It provides answers to four basic questions: How do customers see us? (customer perspective) How do we excel at? (internal perspective) What can we continue to improve and create value? (innovation and learning perspective) How do we look to shareholders? (financial perspective). While giving senior managers information from four different perspectives, the balanced scorecard minimizes information overload by limiting the number of measures used.

### Balanced Scorecard Framework

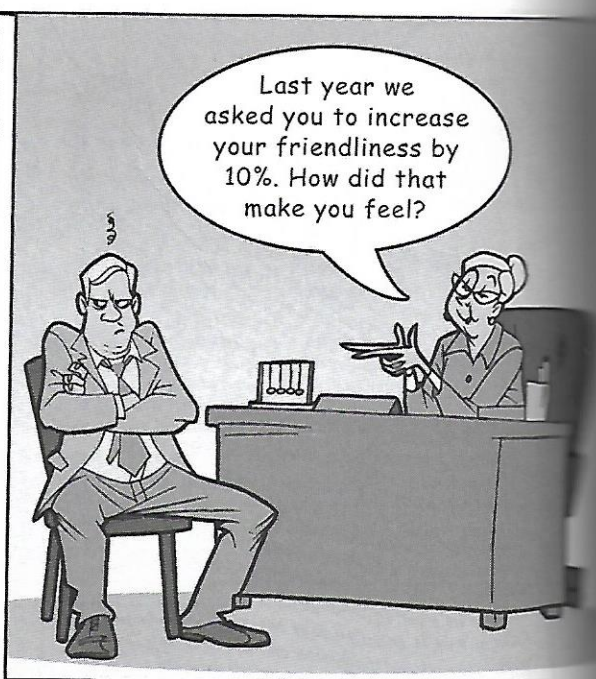
Balanced Scorecard Dimension	Definition	Examples
Financial	Measures that relate to organizational effectiveness and profits	Return on assets, stock price
Customer	Measures that relate to customer attraction and satisfaction	Number of new or repeat customers, percentage of repeat customers
Internal Business Processes	Measures that relate to organizational efficiency	Speed at serving a customer, time it takes to create a new product and get it to market
Learning and Growth	Measures that relate to the future	Average number of new skills learned by each employee every year

From: R.S. & Norton, D.P. 1992. The balanced scorecard: Measures that drive performance. *Harvard Business Review*, January-February, 71-82.



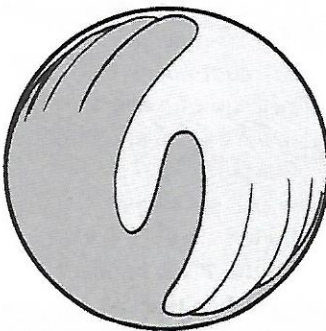


The balanced scorecard helps managers examine a limited set of different types of measures that will help them understand long- and short-term performance. The measures should be specific and measurable. That way, managers can track progress over time.



For example, assessing employee learning and growth by saying employees should simply "learn new skills" is vague. A specific way to measure this idea would be, for example, to track hours of training or the percentage of employees with undergraduate or graduate degrees.

The writer Ralph Waldo Emerson once said, "Doing well is the result of doing good. That's what capitalism is all about." In addition to looking at multiple performance measures using the balanced scorecard framework, many companies are also enlarging their definitions of performance to include elements of social responsibility by embracing a concept called the **Triple Bottom Line**.



Social



Environmental



Economic

The three different P's in this notion are **people** (making sure that the actions of the firm are socially responsible), the **planet** (making sure the firms acts in a way that promotes environmental sustainability), as well as traditional firm **profits**.



A similar idea combining the goals of helping people as well as developing profits is the concept of **social entrepreneurship**. One exceptional example can be found in the story of Dr. Muhammad Yunus and Grameen Bank.



The word Grameen means "of village." Dr. Yunus started this concept when he began a series of exceptionally small loans (called micro loans).



His first loan in 1974 was \$27 from his own pocket that he lent to 42 people in his native Bangladesh, including a woman who made bamboo furniture.

Do you have anything that can be used as collateral?

If I did I wouldn't be here!



Yunus found very small loans could make a huge difference in individuals' ability to survive, but such individuals were often considered high repayment risks that were avoided by most banks.



Years later, in 1976, Yunus founded Grameen Bank. So far, the bank has issued more than \$6 billion in loans to several million borrowers (over 80% are women). In 2006 Yunus won the Nobel Peace Prize.



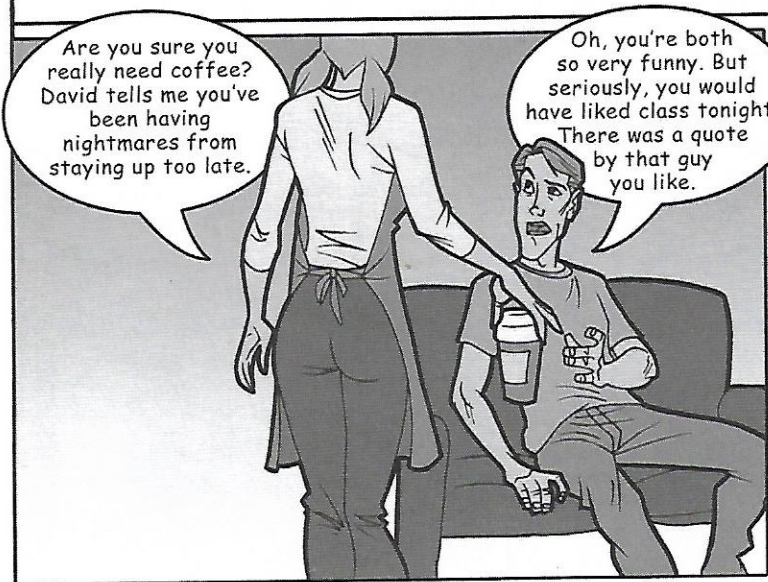
I will end class on this inspirational note. I hope you are able to remember this material to do well on your next test.

David, speaking of micro loans, can you spot me at the coffee shop?

You're a bad credit risk, but sure.

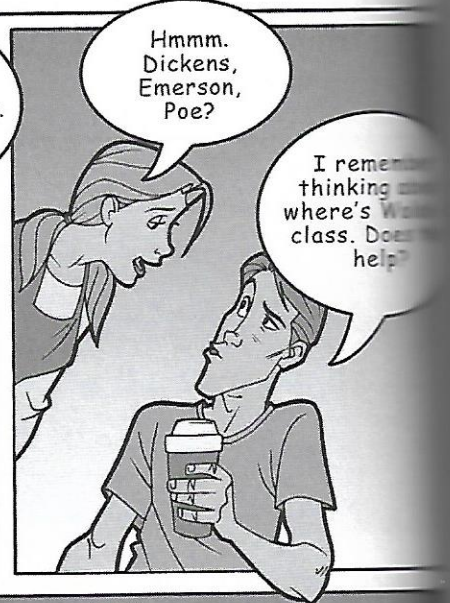
Then let's make like a tree and split.





Are you sure you really need coffee? David tells me you've been having nightmares from staying up too late.

Oh, you're both so very funny. But seriously, you would have liked class tonight. There was a quote by that guy you like.



Hmmm. Dickens, Emerson, Poe?

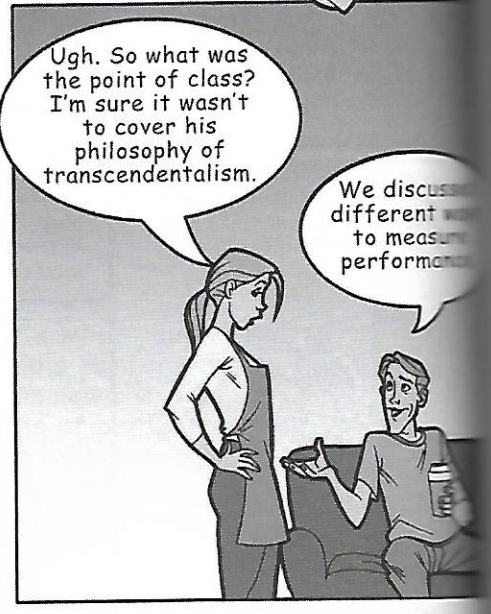
I remember thinking where's Walt Whitman in class. Does he help?



Ralph Waldo Emerson, who once said "A great man is always willing to be little."



Belittle who?

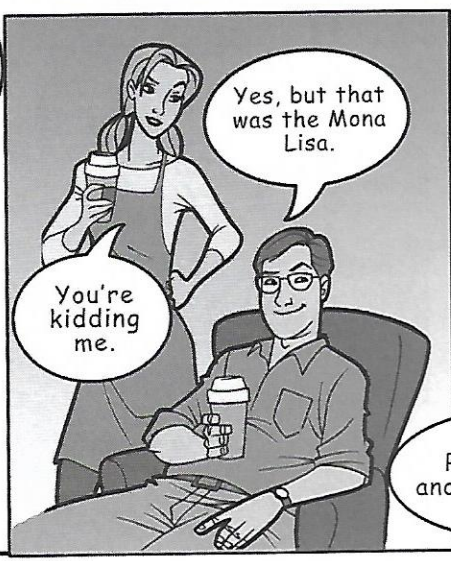


Ugh. So what was the point of class? I'm sure it wasn't to cover his philosophy of transcendentalism.

We discuss different ways to measure performance.



I'd love to hear how business majors measure success. You know that many of the most famous artists weren't "successful" until they died. Van Gogh only sold one painting in his life.



You're kidding me.

Yes, but that was the Mona Lisa.



The Picasso?

Picasso was another painter.





Who did Dogs Playing Poker?

Or was it the Picasso?

I think it was Da Vinci.

I'll admit I don't really understand the logic of the art world. We're trying to get jobs that make money before we die.



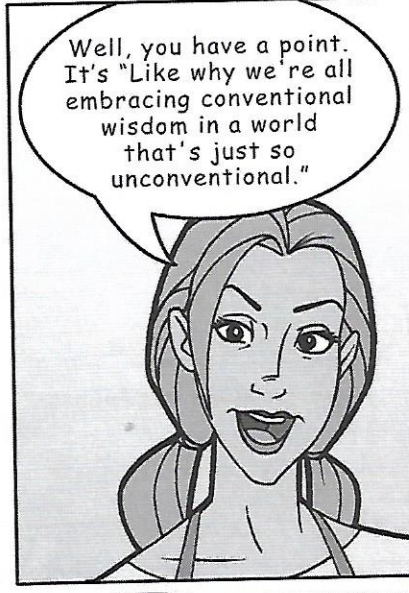
With you two it always comes back to money, corporate greed, capitalism, all the good bands that sell out to the man.



The man?



Wait a second, so you think that bands like The Killers or The Shins, who've been working the college rock scene for years and finally get a hit are selling out? So, band members are supposed to act like poor Bedouin wanderers?



Well, you have a point. It's "Like why we're all embracing conventional wisdom in a world that's just so unconventional."



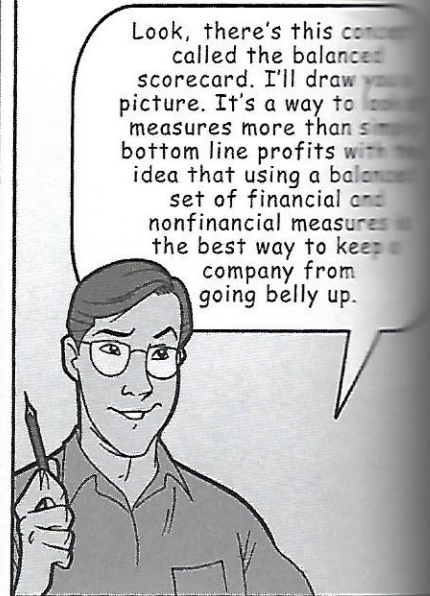
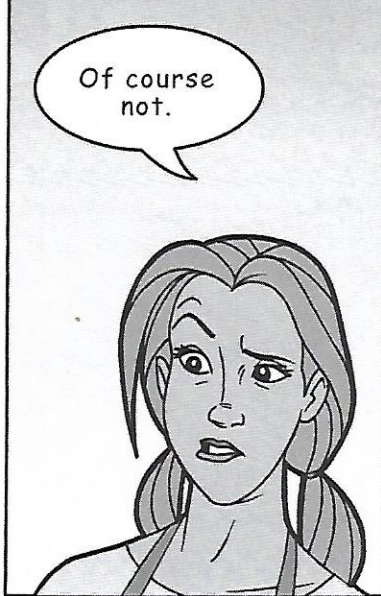
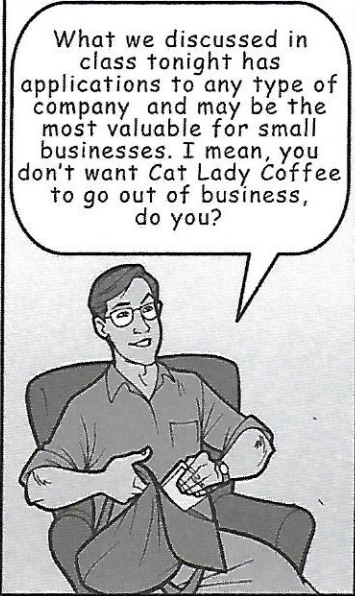
That doesn't even make sense. Is that Confucius?

John Lennon?



It's from a Built to Spill song.





### Balanced Scorecard for Coffee Shop

Balanced Scorecard Dimension	Measurable Application for Coffee Shop
Financial	Sales
Customer	Number of repeat customers
Internal Business Process	How long it takes to make a latte
Learning and Growth	Are employees learning how to upgrade and make new drinks?



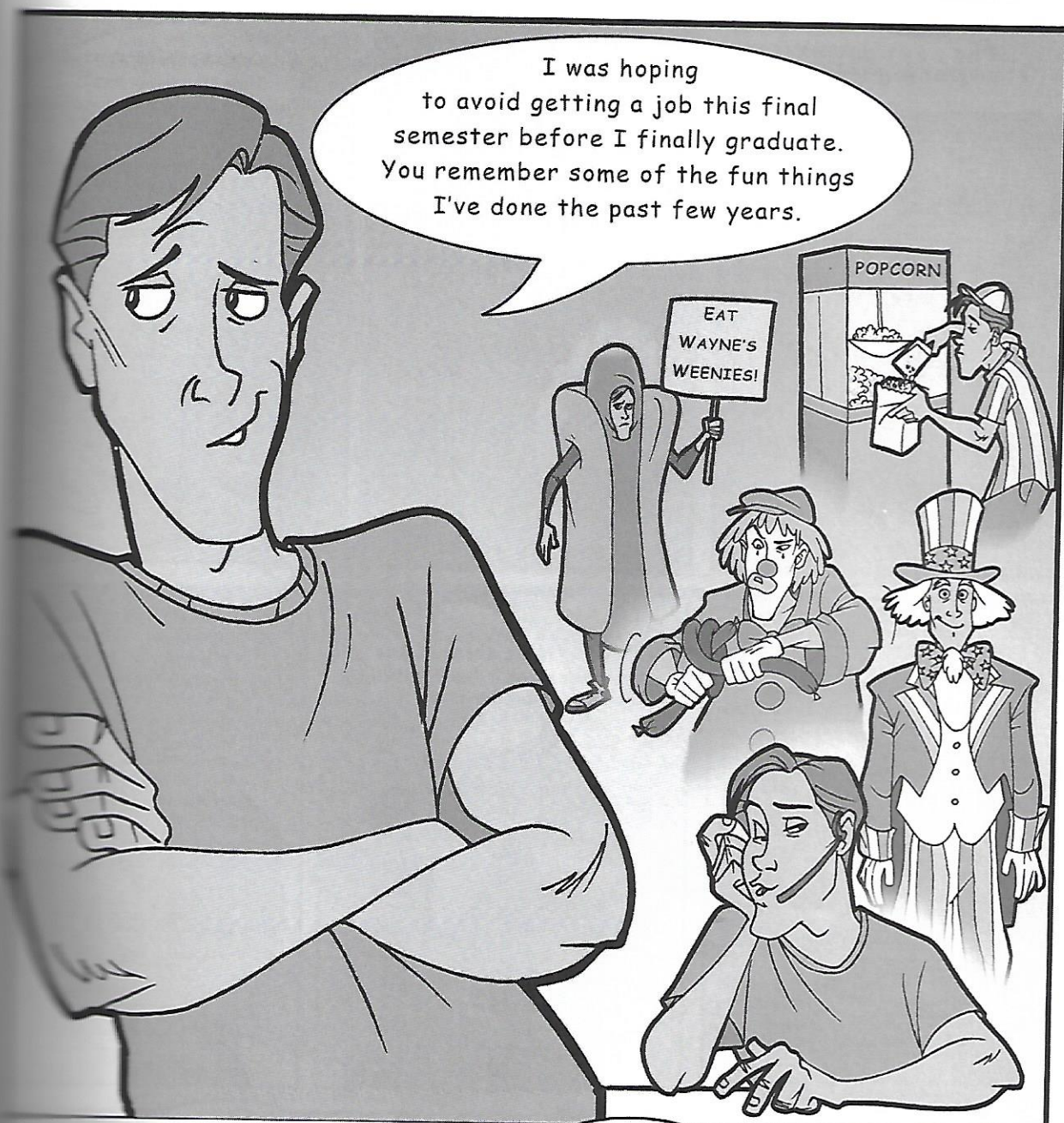


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I was hoping to avoid getting a job this final semester before I finally graduate. You remember some of the fun things I've done the past few years.



So, in conclusion, can I borrow 100 bucks?

Well, I've been holding off on this but think I should be getting a tax refund this year. Let's cover my taxes done tomorrow.



Why would I go with you? It's not like we're filing together.

Well, David, unfortunately, my automobile is a tad shy on petrol these days and I need you to chauffeur me to and from my daily appointments.

OK, I'll swing by your apartment at 8.

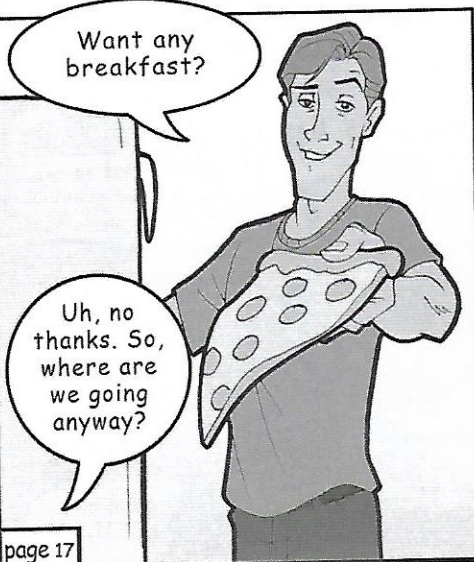
My good man, make it 11.



The next day at  
10:45 a.m...

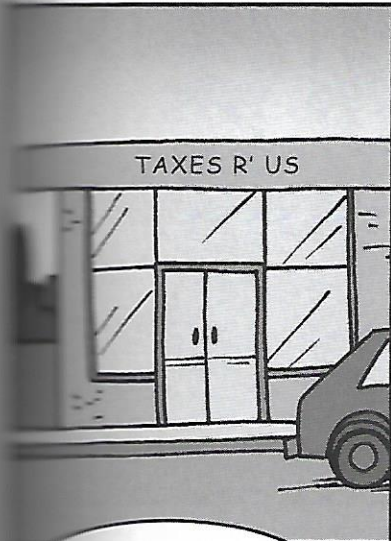
Atlas, wake  
up!

Come on, let's go  
Time is money and  
all that.

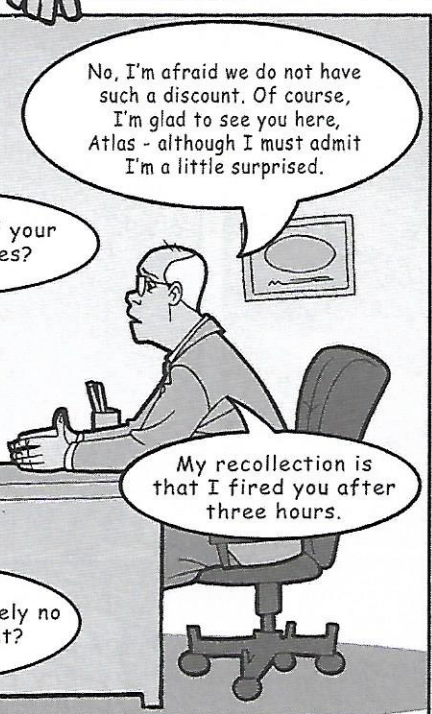




15 minutes later- at the tax office of Hewson & Associates, certified public accountants...



Mr. Hewson. How have you been?  
A pleasure to see you as always.  
You're looking well. Have you lost weight?



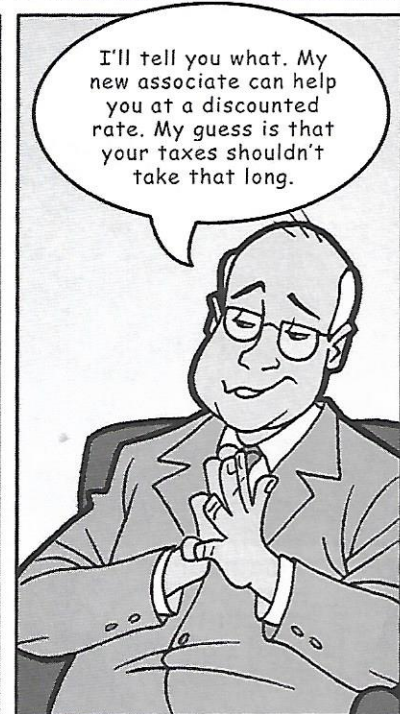
How much does it cost one to get taxes done at your establishment? And do you have a student discount?

Wasn't I one of your best employees?

No, I'm afraid we do not have such a discount. Of course, I'm glad to see you here, Atlas - although I must admit I'm a little surprised.

My recollection is that I fired you after three hours.

So, that's definitely no on the discount?



I'll tell you what. My new associate can help you at a discounted rate. My guess is that your taxes shouldn't take that long.

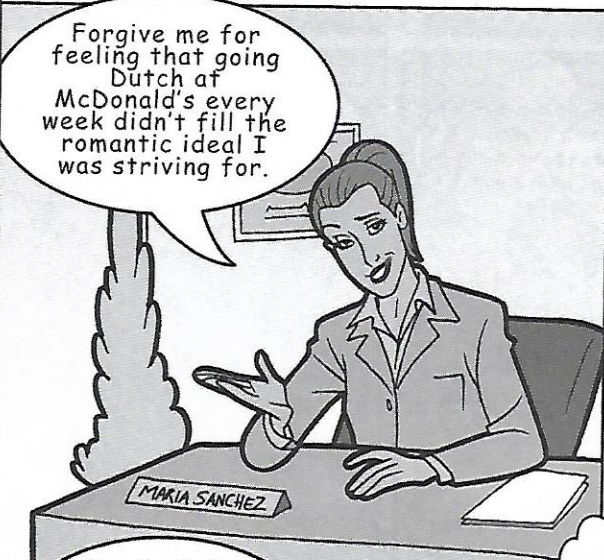
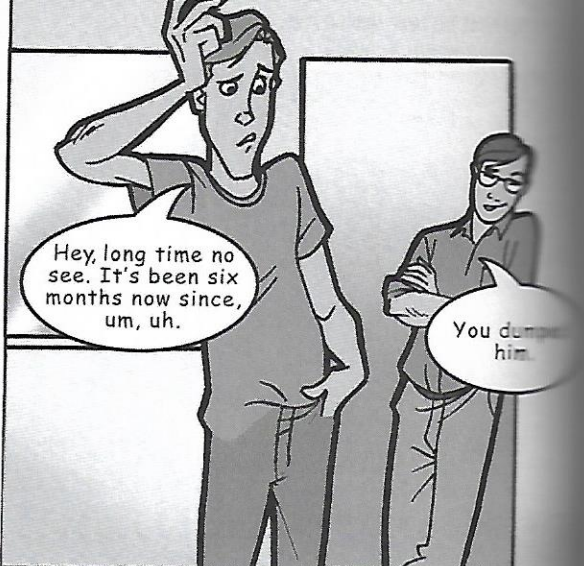
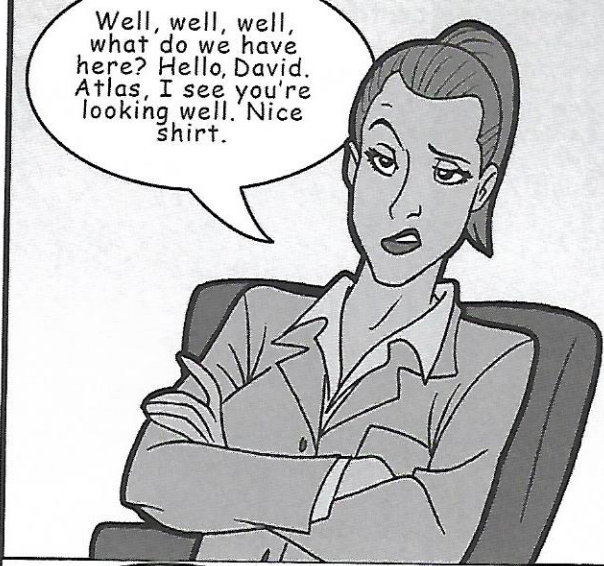


See, I told you he liked me.

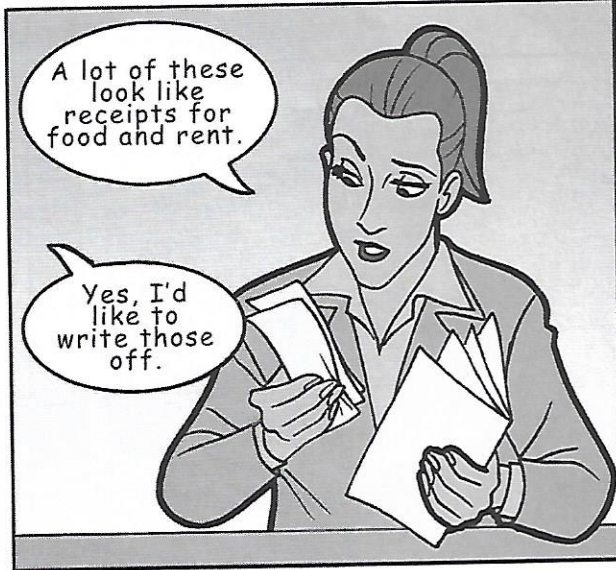
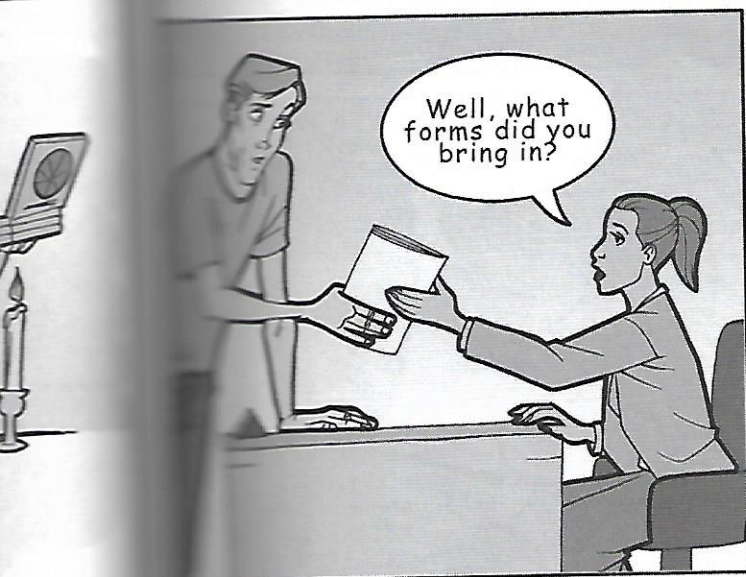
Her office is the first door on the left.

Maria?!













Did you formally set yourself up as a business?



No. Do you have an idea how much that costs?

We're about to find out!



You have fifteen W-2 forms for the last year!?!?

I've been involved in a number of new ventures with varying levels of success.



Hmmm. This "venture" at a movie theatre grossed an impressive \$15.75.

Well, my boss was a jerk.



He fell asleep in one of the theatres watching a chick flick his first day.



It was a hot summer day. I only planned on going in there for a minute. But it started to touch my heart.

He loved her so much, but something kept coming between them...



Save it Atlas. What about this one, Clowntastic?

I wore many hats at that position. Magician, entertainer, musician.

He sang "happy birthday" to kids and made balloon animals.

I couldn't get enough regular bookings. And my boss was a jerk.

You made an impressive \$205 over this three-month span.

Working as a telemarketer for two weeks, busboy for a day, landscaping for a few days, painter, video clerk, convalescence home, and the grand total is...

priceless?

I was going to say pathetic. Well, actually, it turns out you owe Uncle Sam \$155.

I owe money? How can I possibly owe money?

Because only half of your employers withheld funds.

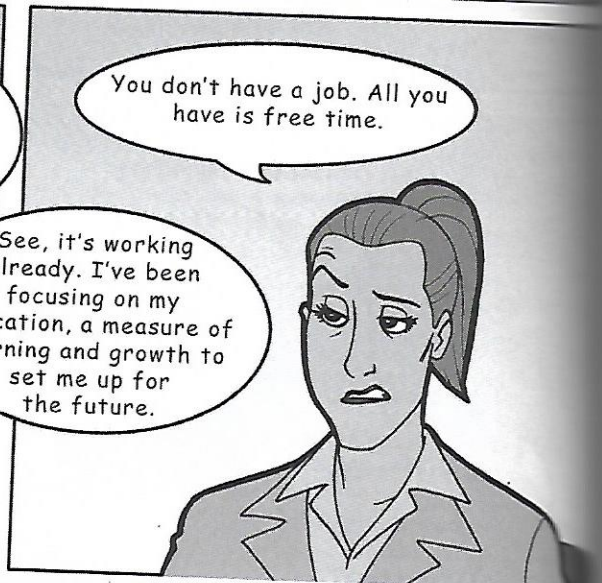
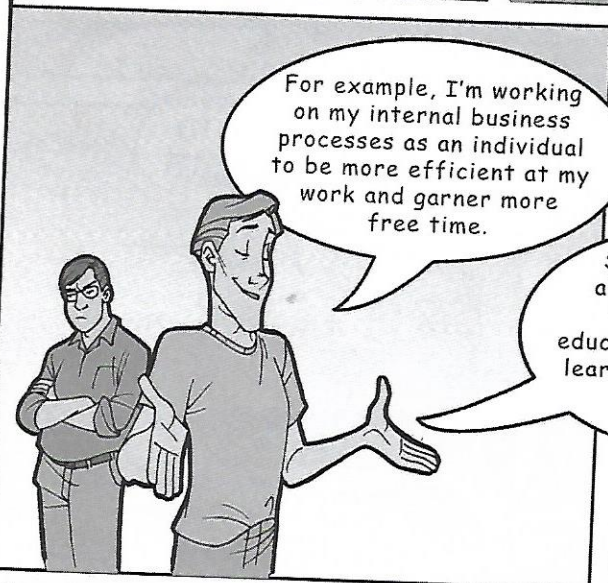
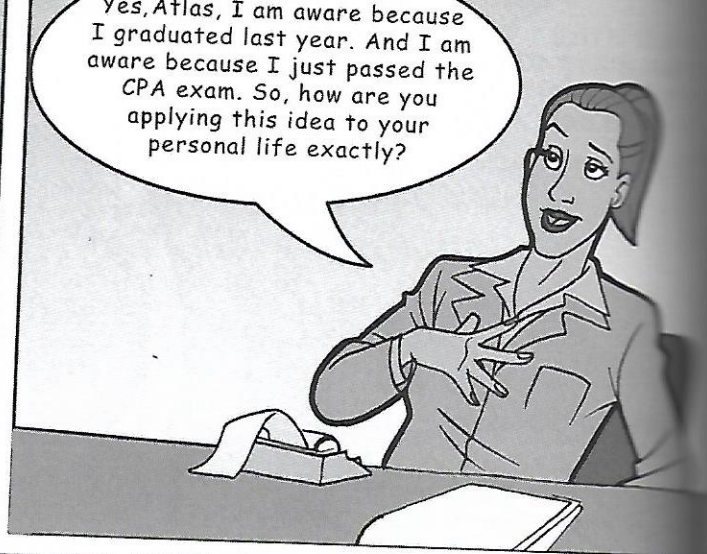
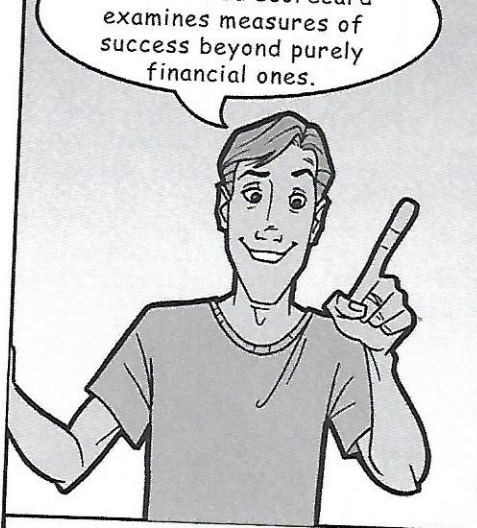
Well, c'est la vie. I'm trying to move past viewing such pedestrian financial measures of success and embracing a balanced scorecard approach to assessing my future.

When did you hear about the balanced scorecard?

In class. Let me explain...

David, Ix-nay on the business babble-ay.





Balanced Scorecard for Individuals

Balanced Scorecard Dimension	Key Questions for Individuals	Applications and Measures for Career Management
Financial	How can I improve my personal wealth?	Cash, Savings account, retirement
Customer	How can I get along better with my boss, coworkers, family, and friends?	Number of new contacts made when networking
Internal Business Process	Am I getting better at my current job?	Improvements in time management that lead to more free time
Learning and Growth	What skills should I develop now for the future?	MBA, specialized licenses



If you were focusing it wouldn't have taken you five years to graduate! Aren't customer measures part of the balanced scorecard? It seems like that's the area where you need to improve.

Arguably.

Well, for now you better just focus on the financial measures. Here's the amount you need to write a check for and send to the IRS.

And here's what you owe me now.

Do you take competitors' coupons?

Nice try.