PART I

Management Principles
Lee Iacocca
1924–

Born and raised in a working-class neighborhood of Allentown, Pennsylvania, Lee Iacocca never left his tough upbringing behind—his street smarts aided his rise to the top of Ford and Chrysler. He first stepped into the limelight in April of 1964 when he made the covers of both Time and Newsweek for his introduction of the immensely popular Ford Mustang. His celebrity status carried him to the presidency of the company in 1970, but then a fickle Henry Ford II, grandson of the legend, fired him in 1978. Iacocca, who developed a rigid management philosophy to survive good times and bad, was immediately tapped to head a virtually bankrupt Chrysler. The company’s woes were ultimately turned around by the antithesis of the Mustang—the groundbreaking, hugely popular minivan.

My Little Commandments of Management

1. **Hire the Best.** Nothing will make a CEO look better than a talented management team. When I’m asked about how I turned Chrysler around, I always make the point that I didn’t do it by myself—a lot of smart, dedicated people did it. Actually, since according to Time magazine my ego is as
big as all outdoors, I should probably take credit for having done all of it by myself.

2. **Get Your Priorities Straight and Keep a Hot List of What You’re Trying to Do.** No matter how complex a business is, and ours is pretty complex, I believe you should be able to write down your top priorities on a single sheet of 8½-by-11 paper. It’s always amazed me to see how many companies, even small ones, devote hours of effort and literally tons of paper to detailed plans of what they want the company to do over time. There are a lot of different names for them—Long Range Strategic Plans, Ten-Year Business Plans, Five-Year Profit Plans, and so forth. I guess if you’ve got a big staff and lots of extra time on your hands, it’s not going to hurt you. But I’ve never seen a long-range business plan that couldn’t be boiled down to a single page of priorities.

3. **Say It in English and Keep It Short.** Everyone has seen examples of bureaucratic double talk in written communication. You know what I mean—a long-winded document that takes the reader through two dozen options and alternatives and ends up with any one of six or seven different conclusions. Most of us associate this phenomenon with government bureaucracies. But take my word for it, a lot of double talk exists in corporations as well.

   There are three factors behind the mumbo jumbo. First, the almost uncontrollable desire to tell all you know on any given subject. Second, the love of adjectives and adverbs over nouns and verbs. And third, the desire to impress your audience with your depth of vocabulary. I once read a fifteen-page paper that was tough to understand. I called in the author and asked him to explain what was in the tome he had written. He did it in two minutes flat. He
identified what we were doing wrong, what we could do to fix it, and what he recommended. When he finished I asked him why he didn’t write that in the paper the way he’d just said it to me. He didn’t have an answer. All he said was: “I was taught that way.” And he was an M.B.A. to boot.

Write the way you talk. If you don’t talk that way, don’t write that way.

4. **Never Forget the Line Makes the Money.** The political maneuvering between staff and line organizations is a wasteful and costly exercise. Every chief executive has got to come to grips with how he parcels out authority and accountability between these two groups. So I have a single axiom that helps me remember how to manage these often conflicting organizations. When the chips are down, it’s the line organization that makes the money; the staff doesn’t make a dime. I view the role of the staff as primarily to help the CEO do his job and to act as a catalyst to the line. If you really want to get a line group motivated, just float up a “staff idea” with the right amount of “Why didn’t you guys think of that?”

5. **Lay Out the Size of the Playing Field.** I’m a strong believer in letting line operations “operate”—delegating to good people and then letting them do the job. But, you might ask, if the key managers are running the business, what’s left for the CEO to do?
I think a big part of my job is what I call “defining the envelope,” or setting the limits within which line management can operate on a relatively freewheeling basis. It’s similar to a parent telling a child: “Play in the backyard but don’t go past the gate and don’t climb over the fence and don’t invite anyone over.” The child has the run of the yard, but the parent has prescribed limits on where he can go and what he can do.

As a CEO, I set limits. I set limits on the total amount of capital that can be spent—but not necessarily on how to spend it. I set limits on the number of executives I want on the payroll—but not who they are. I set limits on the amount of R & D spending I’m willing to support—but not the projects that are funded. And I establish the company priorities, which represent the limits or parameters that set the direction of the whole line effort.

6. **Keep Some Mavericks Around.** All CEOs should worry about getting fed a single point of view: that is, a party line that has been filtered, refiltered, homogenized, pasteurized, and synthesized—what we call “cooking the pudding.” Without differences in viewpoint, and openness to constructive expression of these differences, a corporation can be led into a lot of bad decisions. There is a real risk in telling the CEO only what he wants to hear and never having any disagreements in his presence.

To guard against this risk, I’ve always tried to keep some smart people around me who are contrarians, who for whatever reason will not accept very much at face value and are not impressed by the rationale that something is being done in a certain way because it’s always been done that way.
7. Stay in Business During Alterations. A lot of CEO surveys indicate that long-range planning and strategic planning are seen as among the most important responsibilities for a CEO. I’m not going to argue with that, but I’ve always felt that making sure you’re maximizing earnings today is also a key responsibility. It’s easy, I think, for an organization to get mesmerized by long-range plans. On paper, at least, they’re neat and squared-off—and always work.

8. Remember the Fundamentals. I have always been a fan of Vince Lombardi, the late great leader of the Green Bay Packers. Although his teams had a fairly versatile offensive game, at least for that period of time, their real strength lay in their adherence to the fundamentals of playing solid football: blocking and tackling, good play execution, and mental discipline. They weren’t the fanciest football team of their day, but to watch them run a power sweep with the linemen pulling out and blocking was to see a thing of beauty. It was also a devastatingly effective offensive weapon.

When all is said and done, management is a code of values and judgments. And that’s why, in the end, you have to be yourself.

Which brings me to the best rule of management: Pick a style that you’re comfortable with and stick with it. You can have role models, but don’t try to be somebody else. Be yourself, stay natural and dammit, smile once in a while!
Today’s richest man in the world and software mogul was in eighth grade when he encountered his first computer; he’s also a college dropout. After two years at Harvard, where he enjoyed playing poker over going to classes, Bill Gates dropped out in 1975 to start Microsoft with his high school buddy, Paul Allen. Their first project was writing software for a home-brew computer, and their first big coup was winning the contract in 1980 to develop an operating system for IBM’s personal computer. They then expanded rapidly into word processing and spreadsheet software, going public in 1986. After a bout with cancer, Allen left the company and today Gates is chairman. Although the company lost an antitrust case brought against them, Gates remains an aggressive visionary who devoutly believes in the power of digital tools.

New Rules for the Age of Information

To make digital information flow an intrinsic part of your company, here are twelve key steps:

For knowledge work:

1. Insist that communication flow through the organization over e-mail so that you can act on news with reflexlike speed.
2. Study sales data online to find patterns and share insights easily. Understand overall trends and personalize service for individual customers.

3. Use PCs for business analysis, and shift knowledge workers into high-level thinking work about products, services, and profitability.

4. Use digital tools to create cross-departmental virtual teams that can share knowledge and build on each other’s ideas in real time, worldwide. Use digital systems to capture corporate history for use by anyone.

5. Convert every paper process to a digital process, eliminating administrative bottlenecks and freeing knowledge workers for more important tasks.

For business operations:

6. Use digital tools to eliminate single-task jobs or change them into value-added jobs that use the skills of a knowledge worker.

7. Create a digital feedback loop to improve the efficiency of physical processes and improve the quality of the products and services created. Every employee should be able to easily track all the key metrics.

8. Use digital systems to route customer complaints immediately to the people who can improve a product or service.

9. Use digital communications to redefine the nature of your business and the boundaries around your business. Become larger and more substantial or smaller and more intimate as the customer situation warrants.
For commerce:

10. Trade information for time. Decrease cycle time by using digital transactions with all suppliers and partners, and transform every business process into just-in-time delivery.

11. Use digital delivery of sales and service to eliminate the middleman from customer transactions. If you’re a middleman, use digital tools to add value to transactions.

12. Use digital tools to help customers solve problems for themselves, and reserve personal contact to respond to complex, high-value customer needs.

**Smart Habits**

While en route to an unfamiliar place, Gates voraciously reads books and magazine articles about it—the material is often recommended by local managers—and then asks plenty of follow-up questions once he is there. While in India, he discovered that there were 14 distinct languages and realized Microsoft’s products had to be much more localized, ultimately fueling sales.

**Managing Unhappy Customers**

I recommend the following approach to integrating customer complaints and wish lists into product and service development:

1. Focus on your most unhappy customers.
2. Use technology to gather rich information on their unhappy experiences with your product and to find out what they want you to put into the product.
3. Use technology to drive the news to the right people in a hurry.

If you do these three things, you’ll turn those draining, bad news experiences into an exhilarating process of improving your product or service. Unhappy customers are always a concern. They’re also your greatest opportunity.
Michael S. Dell
1965–

Michael Dell’s direct business model, which involves selling customized products directly to the consumer and keeping inventory to a minimum, has revolutionized the way in which companies do business as they attempt to emulate Dell’s success. Dell Computer’s stock was up more than 3,000 percent in the 1990s—not bad for a college dropout. His mother was a stockbroker and his father an orthodontist, who wanted their son to become a doctor. Although he enrolled at the University of Texas as a premed student, computers were Dell’s first love, and in his first semester in 1983 he started buying old computers and upgrading them for resale. That next summer he sold $180,000 worth and never returned to school. Dell took the company public in 1988 and maintains a competitive edge by infusing his company with a sense of urgency.

The Competitive Edge

- Think about the customer, not the competition: Competitors represent your industry’s past, as, over the years, collective habits become ingrained. Customers are your future, representing new opportunities, ideas, and avenues for growth.
• Work to maintain a healthy sense of urgency and crisis: This doesn’t mean that you want to fabricate deadlines or keep people so stressed that they quickly burn out. Set the bar slightly higher than you normally would, so that your people can achieve aggressive goals by working smarter.

• Turn your competition’s greatest strength into a weakness: Much as every great athlete has an Achilles’ heel, so, too, do all great companies. Study the competition’s “game”: Exploit its weakness by exposing its greatest strength.

• Be opportunistic, but also be fast: Look to find opportunity, especially when it isn’t readily apparent. Focusing on the customer doesn’t mean that you should ignore the competition. If something that your competition did or didn’t do provided you with an opportunity today, would you recognize it and be able to act on it immediately? Today a competitive win can be decided literally one day at a time. You have to act fast, be ready, then be ready to change—fast.

• Swing for hits, not home runs: Business is like baseball. Go for the highest batting average rather than trying to hit a home run every time. If your competitor is batting .300, you want to bat .350 or .400. No one’s batting 1.000, so you can’t worry about it. What you want to focus on is being the best as often as you can. Because there’s no such thing as a grand slam product or technology that lasts forever, your competitive edge must come from strategic execution, and from
gaining knowledge, studying the economics of your business, and ensuring the flow of information throughout your organization.

- Be the hunter, not the hunted: Success is a dangerous thing, as we are at once invincible and vulnerable. Always strive to keep your team focused on growing the business and on winning and acquiring new business. Even though your company may be leading the market, you never want your people to act as though you are. That leads to complacency, and complacency kills. Encourage people to think, “This is good. This worked. Now how can we take what we’ve proven and use it to win new business?” There’s a big difference between asking that and asking, “How can we defend our existing accounts?”
Charles B. Wang
1944–

Charles Wang, born in China, is cofounder, chairman, and CEO of the world’s third largest independent software maker, Computer Associates International (CA). After the Chinese Communist revolution in 1949, Wang and his family fled to the United States. They found themselves in a Queens, New York, housing project. Wang attended Queens College, where he earned degrees in both mathematics and physics. When the time came to choose a profession, Wang settled on becoming a computer programmer; he concluded that because there were so many help-wanted ads for them, this was a growing industry. When the company for which he was working decided to sell its software division in 1975, he and friend Russell Artzt went for it. Wang, who strives to be in sync with technology and wants his company to match up with the best, took CA public in 1981 and has used the proceeds to gobble up some 60 other companies.

Sync or Swim: Seven Steps to Being the Best

1. **Benchmark to determine the world standard.** Some organization has to be the best, why not yours? Find the world champion in every process—technical and otherwise—that
you measure. Do the benchmarks to determine how your performance compares. Recalibrate your goals accordingly.

2. **Map your processes.** Break activities down into processes. Identify the inefficiencies. Reinvent. For each step, ask whether customers, if given a choice, would pay for it.

3. **Get your people focused on external reality.** The issues are customers and competitors. Define a clear vision that creates a sense of urgency. Insist that people accept responsibility for their own behavior.

4. **Start with the hardest part.** Distinguish what needs to be done from how hard it is to do it. The most difficult steps are generally the most important. Model the attitude that if something really needs to be done, the difficulty of doing it is irrelevant.

5. **Set the goals high and then double them.** Your people will rise to the challenge if you support them properly. Set the goal but don’t tell them how to do it. Their ideas will be better than yours. If people fail to reach the goal, don’t punish them, adjust your support.

6. **Let go and watch.** You can’t do it alone so kick back and enjoy.
7. **Wave laurels; don’t rest on them.** When you’re on top of the mountain, it’s natural to want to relax. Take a minute and enjoy the view. But hang on. It’s windy up there. You won’t have privacy for long. Your competitors—benchmarks in hand—are within hailing distance.
John Jonsson, the son of Swedish immigrants, cofounded the electronics giant Texas Instruments (TI) and served as mayor of Dallas from 1964 to 1971. Originally, he was from New Jersey, where his father owned a cigar and candy shop. While studying engineering at Rensselaer Polytechnic Institute, he repaired radios at night to make money. Jonsson went to work for the Aluminum Company of America in 1922 and then was recruited in 1930 to manage a laboratory of Geophysical Service, Inc., which was based in Dallas and developed seismographic instruments for finding oil and gas. Eventually, Jonsson and a partner bought the company, and in 1951, the company’s name was changed to TI. A master strategist, he believed in programming every function in the company, based on proven management principles.

Management Principles

1. We write down and try to see that as many people in our organization as possible understand the basic objectives of TI. We re-examine and restate these objectives regularly to meet changing needs and changing times.
2. To achieve sound growth, we believe that we must have a well-conceived and well-executed planning program aimed toward the achievement of TI objectives. Our basic objectives are long-range. When planning begins, it may be necessary to think only of the short-range, but as soon afterward as possible, we must lengthen the range and broaden the scope of all our plans.

3. We must organize to implement our plans fully. The scope of the organizing job should be comprehensive enough to include adequate handling and dovetailing of all functions requisite to execution of the plans. Such functions as research and development, its staffing, and its laboratories should be carefully organized and programmed. Similarly, our financial programming must be early and comprehensive enough to permit proper sequential staging of individual steps, since the sequence may be as important as the individual steps themselves.

4. As part of the planning program, our management personnel requirements through all levels should be considered far ahead of actual needs, so that the balanced procurement of required individuals can sometimes be achieved as much as several years in advance.

5. Keep flexible, keep current. Change our plans whenever circumstances require. Plans are not axiomatic of themselves, and a planning program whose original premises are wrong
or obsolete may be worse than none. Re-examine regularly the what, when, where, why, and how of all plans.

6. Since our growth pattern includes diversified product lines or services for a variety of markets, decentralized product divisions are the best organizational answer for us.

7. Each new product division we create must be as completely and capably staffed as the parent from which it sprang. All product divisions should be as complete in function and as autonomous as possible and should operate within the overall limits established by central management.

8. Our central management staff must be strong and, in addition to performing general management duties and the usual specialization and service assistance to product divisions, should have the prime responsibility for formalizing the policies and procedures within whose framework the entire organization must function. This staff should take as one of its special responsibilities our purely long-term and over-all planning.

9. It is our purpose not to waste energy in research and development, or in manufacturing or marketing a product line to which we are unwilling to devote the time and money necessary for success. Especially in product lines obtained by mergers and acquisitions, accomplishment of the desired objectives will be harder, slower, and often more expensive than with those developed internally.

10. Timing is of the essence in everything we undertake. A research and development program or an entry into new markets that comes too early or late can defeat the original intent. The vital importance of timing can be seen directly in financing, for example, since it is reflected immediately in terms and rates.
11. Our performance as a company will be limited only by the quality of our people.

I should like to amplify this last point, since it is the most important of all. We have discussed products and services and delineated some management principles we believe to be sound. However, little has been said about the men and women on whose efforts our hopes of future success are based. We have tried to surround ourselves with people of quality and ability who can be integrated into a powerful team moving toward common, clearly defined and understood goals. Because we have faith and confidence in the capabilities of our people, we have set our targets high. And these difficult challenges have always sparked their creativeness and will to succeed. While we have attempted to make rewards as directly proportional to accomplishment as possible, the personnel of Texas Instruments have shown a loyalty and willingness to produce beyond reasonable expectations. This, together with the understanding support of customers and stockholders, has provided those of us in TI’s top management with a challenge of our own. We must try to grow with our company, to develop a statesmanship in business management worthy of the confidence and respect of all.
Harold Geneen
1910–1997

Harold Geneen is regarded as one of the most brilliant businessmen to lead a multinational conglomerate. Born in Britain, he and his family moved to the United States when he was less than a year old. After a stint as a page on Wall Street, he pursued an accounting career and went through a number of finance jobs (and companies). Geneen was hired as an executive vice president of Raytheon in 1956 and was given the mission to turn the ailing company around, which he did. When he was recruited for ITT’s presidency in 1959, he inherited a stodgy telecommunications company. Geneen, however, transformed it into a powerhouse that included 150 affiliated companies operating in 57 countries. Although he was managing a complex organization, his precepts were as simple as: Avoid pretensions and ego trips.

Succeeding in a Business Career

Some time ago, speaking at the Wharton School of Business Administration, I was asked how one should go about succeeding in a business career. I told the students that one should move around and gain experience in his or her early years and then settle down to a chosen career at age thirty or thirty-five. That would give a person a career of some thirty or thirty-five years. In
that time, the top management of a company is likely to turn over three or four times. So there would always be room for a good manager. All a young person had to do was to pick his or her job and start working toward it. As I said about all management, including the management of one’s life: Decide what it is you want to do, and start doing it.

If I were to amend that answer today and try to sum up what I have come to believe over a long career in business, I would put forth these personal precepts on how to manage:

- You must play by the rules, going through the channels of the company structure, taking no shortcuts; but you don’t have to think by the rules. It would be a great mistake to confine your imagination to the way things have always been done. In fact, it would consign you to the mediocrity of the marketplace.
- Avoid all pretensions. Doing things for “show” will backfire on you and turn the whole flavor of your enterprise rancid. Avoid ego trips, office politics, and acting a part that is not really you.
- Remember: Facts from paper are not the same as facts from people. The reliability of the person giving you the facts is as important as the facts themselves. Keep in mind that facts are seldom facts, but what people think are facts, heavily tinged with assumptions.
- You must find out everything essential by yourself. As a manager, you are entitled to a straight answer to a straight question, and you will usually get it when your question is right. The right question comes from many sources and must be assembled in your own head, perhaps for the first time.
- The good guys in your organization want you to ask the right question, because they can and want to answer it. Then you can all move forward together.
Only the phonies will squirm when confronted by questions that go straight to the heart of the matter, and it is your job as a manager to recognize the phonies and to get rid of them. The good guys will expect it of you.

No one is going to tell you the answer or solution to any problem in advance of your questioning. It is the nature of organization and the interaction of the hierarchy that usually stop a bright man from breaking the code of getting along with his peers.

When you are the man or woman in charge, you and only you must make the decisions, particularly the close ones. That’s what you are being paid for, whether you head a task force, a department, or a whole company. Your decisions should be based upon the facts of the situation. The facts are the authority. Because you are in charge, you are entitled to be right or wrong, but it must be you. Your commands will be honored and respected, but they must be your commands. You are not entitled to announce decisions or give commands by proxy, by allowing someone else to speak for you.

**Smart Habits**

Whether you are a CEO or low-level manager, Geneen warns that you must screen your actions for personal prejudice and vanity; for example, if you start worrying about the view from your office or whom you sit next to in a meeting, it’s time to evaluate your ego.