BUSINESS INFRASTRUCTURE

In a Computer Environment

CEO

COO   CFO

MIRS

BUSINESS
INFRASTRUCTURE

REMOTE LOCATIONS

Michael Bivona, CPA

Business Infrastructure

In a Computer Environment

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Preface

For businesses to develop successfully and grow requires leadership with a clear vision of the future. This can only be accomplished through an effective Management Information Reporting System [MIRS] fed by an equally strong business Infrastructure. The information and data supplied by the appropriate Infrastructure within an organization will give management accurate and timely information to enable them to "look forward" and make the necessary choices to succeed, based on current, everyday accurate information supplied by its Infrastructure.

In the early development of a business, one person could be responsible for all the Infrastructure required to successfully run an organization, such as: Sales, Merchandise Purchasing, Credit and Collection, Warehousing, Shipping, Bookkeeping, etc. That same person would act as: Chief Executive Officer [CEO], Chief Financial Officer [CFO], Chief Operating Officer [COO], Chief Information Officer [CIO], etc. All the information required to successfully run a business was in one person's head. But, as organizations grow to 25, 50, 100, or 1,000 people, these functions become departmentalized under the direction of the CEO, CFO, COO, and CIO and become the organization's Infrastructure that supplies information and data required for the development of an effective Management Information Reporting System, which is necessary for management to make decisions that successfully guide their business. It enables them to determine at a glance such information and data as:

Income and Expenses
Customer Product Preferences
Sales by Territory
Inventory by Location
Unit Sales
Key Financial Statistics, such as: Profit by Product and Customer; Inventory Turnover Ratios; Leverage Ratios and Return on Investments, just to mention a few
Early Warning System to Prevent Business Failure

These are some of the critical areas that are available "at a glance" as part of an accurate and timely Management Information Reporting System. It gives management POWER. Accurate and timely information and data equals POWER. POWER to make the right decisions to successfully guide a business in its growth and to warn of impending problems.

But, how does this information and data accumulate and how is it manipulated to give management the "edge" in decision making? The proper use of computer hardware and software is just a piece of the system. People, machines, and methods by which records of business transactions are developed, compared, distributed, analyzed, and acted upon are all integral parts of a successful Management Information Reporting System. The Infrastructure required to gather this incredible amount of information and data successfully can be illustrated by considering the departments and people involved in the cycle from selling a product to depositing the customer's check in the bank. From sales to cash usually requires at least seventeen "front line" departments, as follows:

1. **Sales**
2. **Merchandise Purchasing**
3. **Warehouse Receiving**
4. **Order Entry for Shipping and Inventory Availability**
5. **Picking Product**
6. **Boxing and Labeling**
7. **Consolidating**
8. **Trucking**
9. **Order Entry for Proof of Delivery**
10. **Computer Department for Customer Invoicing**

11. Files Control
12. Credit
13. Collection
14. Bookkeeping
15. Expediting
16. Service
17. Mail Room

If product is returned, five additional departments are involved, such as:

1. Product Service Evaluation
2. Returns Authorization
3. Warehouse Receiving
4. Product Evaluation and Repairs
5. Shipping

If a company is in the manufacturing or fabrication business; an additional five departments may be required, such as:

1. Engineering
2. Assembling
3. Testing
4. Equipment Maintenance
5. Product Development and Enhancement

In addition to the "front line" departments, there are also support or back office departments of:

1. Advertising
2. Human Resources
3. Plant and Building Maintenance
4. Security
5. Research and Development
6. Telephone and Communications
7. Education

Then there are all the middle management levels and of course, the executives: CEO, CFO, COO, CIO, and whatever other

office that might be necessary in a given business. All of these departments and officers are part of the Infrastructure that is in-putting "living" information and data into the Management Infor-mation Reporting System.

The highlighted departments within the Infrastructure are dis-cussed in this book to give some insight into the development and purpose of these areas and how their input is required to complete an effective system. Also, topics such as Dealing with Overachiev-ers; Leadership and the Beginning of the Computer Age are dis-cussed to round out and bring together their importance in organizational Infrastructure and its impact on a strong Manage-ment Information Reporting System.

The book was written based on my fifteen years of developing business Infrastructure and Management Information Reporting Systems from within the business environment as a CFO and COO and twenty years in Public Accounting, which included consulting in the same areas.

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Contents

One

Executive Strategies and Attitudes

Leadership

Leadership is the ability to lead people in a predetermined direction to achieve specific goals. How to accomplish this successfully depends on the leader's mystique and innate preferences. Everyone has certainly witnessed different approaches that in the end successfully accomplished the same goals. The driving force is always the leader's personal approach. The following are some attitudes of leaders and their ideas that were instrumental in helping them achieve their success.

General George S. Patton, from *War As I Knew It:*

Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.

General H. Norman Schwarzkopf, from a conference in Miami, Florida:

You Must Have Clear Goals. And you must be able to articulate them clearly. One of the advantages we had in Kuwait was the clarity of the mission: "Kick Saddam Hussein's butt out of Kuwait." The goal was clear and simple, and something that every one of our troops understood.

Give Yourself A Clear Agenda. Every morning write down the five most important things for you to accomplish that day. Whatever else you do, get those five things done. Insist that the people that report to you operate the same way.

1

Let People Know Where You Stand. Everyone knows you do a disservice to a B student when you give him or her an A+. That applies not just to schools. The grades you give the people who report to you must reflect reality.

What's Broken Fix Now. Don't put it off. Problems that aren't dealt with lead to other problems. Besides, something else will break and need fixing tomorrow.

No Repainting the Flagpole. Make sure all the work your people are doing is essential to the organization.

Set High Standards. Too often we don't ask enough from people. At one point I was in charge of helicopter maintenance. I was asked how much of the fleet was able to fly on any given day? The answer was 75 percent. People didn't come in at 74 or 76, but always at 75, because that was the standard that had been set for them. I said, "I don't know anything about helicopter maintenance, but I'm establishing a new standard: 85 percent." Sure enough, within a short time, 85 percent of the fleet was available on any given day. The moral: people generally won't perform above your expectations, so it's important to expect a lot.

Lay the Concept Out, But Let Your People Execute It. Yes, you must have the right people in place. But then step back. Allow them to own their work.

People Come To Work To Succeed. Nobody comes to work to fail. It seems obvious, so why do so many organizations operate on the principle that if people aren't watched and supervised, they'll bungle the job?

Never Lie, Ever. There was a big debate about whether to use disinformation to mislead the Iraqis during the Gulf War. We knew they were watching CNN. Some people argued that we could save American lives by feeding incorrect information to our own media. I vetoed the idea because it would undermine the military leadership's credibility with the American public.

When In Charge, Take Command. Leaders are often called on to make decisions without adequate information. As a result, they may

put off deciding to do anything at all. That is a big mistake. The best policy is to decide, monitor the results, and change course if necessary.

Do What's Right. The truth of the matter is you always know the right thing to do. The hard part is doing it.

Harry E. Rodman Jr., Officer U.S. Air Force, quote from *Inc.* Magazine:

Don't blame employees for their employer's shortcomings. I spent 20 years as a career officer in the U.S. Air Force and never hired a soul. Every one of my employees was given to me by the system, and I had to make it work from there. Good management is accomplished not by giving orders but by paying attention to your people and encouraging them to do their best.

John F. Welch Jr., Chairman General Electric:

He wants to run General Electric like a small business. In the Nineties, corporate Gullivers were doomed without the Lilliputian virtues called "speed, simplicity and self-confidence." To get them, the scrappy CEO mounted a radical assault on the canons of modern management, which GE largely wrote.

Take out the boss element. 21st-century managers will forgo their old powers to plan, organize, implement, and measure for new duties: counseling groups, providing resources for them, helping them think for themselves. "Winning means new ideas, not whips and chains."

Welch maintains there is no contradiction between his hard-nosed reputation for demanding superior performance and soft concepts like employee involvement. He feels the only ideas that count are the A ideas. There is no second place. That means everybody in the organization gets involved. If that's done right, the best ideas will rise to the top.

To get ideas percolating, GE is dismantling executive power and handing pieces of it over to "Process Champions," who might be Vice Presidents in TV programming or janitors on a cleaning crew.

Ivan Seidenberg, Chairman and CEO of NYNEX:

When discussing his first job and its effect on his leadership attitude says, "My first job was as a janitor in a Manhattan office building. I wore a gray uniform. I was 18. The building superintendent and I had to open the building each day and make sure the heat worked, the elevators ran and the glass in the lobby was spotless. I also ran the freight elevator, helped unload deliveries, and swept floors.

"The superintendent was an older man named Mike. He said little but watched everything very carefully. One day he asked about a book I was reading. I explained that I was putting myself through college at night. He said, 'Okay,' and walked away. Four months later he came up to me and remarked, 'You know, there are companies that will help you pay for school.'

"I asked which ones, and he said the electric and the phone companies. I got applications and took the employment tests. I heard back first from the telephone company, so I took a job as a splicer's helper. Except for 22 months in the Army, I have worked at the telephone company now called NYNEX, ever since.

"In the year I worked for Mike, he didn't say much, but those few words spoke volumes. He gave me a helping hand. If you take pride in your work and do a good job, you never know who might be watching and one day provide a boost.

"Now when I talk to janitors and other employees, I ask, 'What's happening?' Invariably they tell me something I didn't know. It doesn't matter if you're the janitor or the CEO, values and performance count, people are watching."

Herb Kelleher, Co-founder, Chairman and CEO of Southwest Airlines Co:

It is said, from the minute you walk into Southwest Airlines Co's headquarters in Dallas, you're just about bowled over. Everyone hugs; Herb Kelleher, the madcap stuntman of a president, plants kisses on his female employees and sometimes on his male ones. The walls are a family scrapbook, covered with photos of happy workers. In the lobby, etched into glass, is a tribute to the legend of Southwest Airlines, "nourished by our people's indomitable spirit, boundless energy, immense good will and burning desire to excel."

An edition of *The 100 Best Companies to Work for in America* hailed Southwest's vivacity, noting it may be the "only U.S. company that actually requires a sense of humor." *Fortune* magazine put Southwest's president on the cover, jumping from a trampoline with arms spread in flight, and asked: "Is Herb Kelleher America's Best CEO?"

If his methods are suspect, the bottom line speaks for itself. Its annual sales are over $3.4 billion dollars and it employs over 24,000 employees in 50 cities. As the country's fifth largest airline, it carries almost 50 million people a year on more than 2,200 daily flights.

Kelleher says: "his parents instilled in him the idea that everybody should be treated with dignity and respect, and that titles, traditions, status and class didn't matter."

The secret of Southwest, he maintains, is that there's no secret. Executives who come seeking answers invariably miss that point. "When you tell them there isn't any real formula except treating people nicely and having fun, they say, 'But that's not a business principle. Is there something else?' "

One of my favorite examples of leadership in its best form is:

David Sun and John Tu, Co-founders of Kingston Technology Corp., Fountain Valley, California:

They set staggering new standards for generosity to employees unveiling a $100 million bonus package at the company's holiday party, giving workers checks for up to three times their annual salaries.

With payments averaging $75,000, the largess represents employees' share of the $1.5 billion windfall David Sun and John Tu received when they sold 80 percent of the world's largest maker of computer memory product to Softbank Corp. of Japan.

Sun and Tu were not obligated to share their wealth. But in an age when employees are commonly treated as costs and Wall Street cheers executives nicknamed "Chainsaw Al," the gesture is merely the most extreme example in a long tradition of generosity at Kingston.

"That sharing our success with everybody is the most joy we can have." Sun told hundreds of cheering employees and their families. Some fought back tears and others talked of buying houses, helping their parents, or simply putting the money in savings.

"This is beyond my wildest dreams. But everything they do blows me away," said sales representative Brandi LaPlante. "I'm going to get a bigger car to hold my three kids." About $60 million will be set aside for future bonuses, but the rest doled out immediately.

Depending on seniority and performance, most of the 523 employees will get one to three times their annual salaries, meaning more than $300,000 for some. Sun and Tu credit employees for their being on top of the computer memory industry. "They are the ones working hard day in, day out." Tu said, "Our attitude toward our employees is, 'You deserve this. You deserve more than this.' "

Other U.S. companies have certainly helped their employees become wealthy. Microsoft Corp. has spawned thousands of millionaires in its ranks. Levi Strauss & Company offered its 37,000 workers an incentive program that could be worth $750 million if goals are met over a five-year period. But those cases and many others involve stock-options programs that allow employees to buy their company's stock at a discounted price and sell it later at a profit.

Kingston is unusual because employees are being given cash that Sun and Tu could have kept for themselves.

"I've never heard of anything like this," said Jeffrey Pfeffer, a professor at Stanford University's business school. "It is momentous, particularly because it is being done voluntarily."

The announcement ended the rumors whipping around Kingston since the Softbank deal was completed. Sun and Tu promised that employees would share in the bounty as soon as the Softbank deal was announced. Tu playfully tossed out possibilities of paying off employees' mortgages or setting up college funds for their children. In the end, they opted to let employees decide.

Sun said he and Tu arrived at the $100 million figure shortly after the sale. There was no science involved. It just sounded like enough to give employees a substantial bonus, and set aside plenty for the future. But the two founders and senior executives spent months devising a way to divide up the money, resulting in a complicated formula based mainly on seniority and performance evaluations.

Of course, Sun and Tu will have plenty left over for themselves. *Forbes* magazine estimated that each is worth $900 million, making them among the nation's 400 wealthiest individuals.

Sun tells of his days as an engineer for Alpha Microsystems, a computer company in Costa Mesa, California. After the company

sold stock to the public for the first time, the chief executive proclaimed to employees, "Well, I finally made it." An angry Sun says he thought, "What about me?"

Sun and Tu met in early 1980 and made their first fortunes a few years later, when they sold a company they founded to AST Research for $6 million. After losing much of their money in the 1987 stock market crash, they launched Kingston. Their timing was perfect. The personal computer industry was exploding, as advances in software required more and more memory.

Harold Geneen, Former Chairman & CEO of ITT Corp:

In an interview with the *Associated Press* in 1997, when asked the secret of his success as a leader, the 87-year-old Geneen answered: "There is no secret, no magic formula. Just the old-fashioned virtues of hard work, honesty and risk-taking." His theory was that "strict management and leadership could make any business successful, no matter how varied the components."

Bill Gates, Co-founder, Chairman & CEO, Microsoft Corp:

Of the list of ten suggestions that Bill Gates recommends for leadership, one of the most interesting is: "develop your people to do their jobs better than you can. Transfer your skills to them."

This is an exciting goal, but it can be threatening to a manager who worries that he's training his replacement. If you're concerned, ask your boss: "If I develop somebody who can do my job super well, does the company have some other challenge for me or not?"

Many smart managers like to see their employees increase their responsibilities because it frees the managers to tackle new or undone tasks. There is no shortage of jobs for good managers. The world has an infinite amount of work to be done.

I guess Henry Ford said it all when he stated, "I find it amazing that so many employers forget that it is their obligation to grow and develop their employees. I would give up all of my money, factories and other assets as long as I don't have to give up my people. My employees are my greatest asset."