

Mastering the People Game

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Mastering the People Game

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Foreword: Why Industrial Engineering?

In business, the people game is played by personnel experts. The recognized source of expertise is the personnel manager. This is a person specifically educated, trained, and then experienced in personnel work. There is an entire personnel specialty that is almost an industry in itself. The personnel industry even sees to the effective education and training of all people working in business.

Why was this work prepared by me, an industrial engineer specializing in general management, rather than by the real experts who work in personnel?

The answer is not found in the level of expertise, but in its direction. The personnel specialty has established its expertise within labor law. It is an expertise based on employment as a way of gaining a workforce. Management is rather founded on performance through workers. Business performance is not based on employment, but upon management and supervision. Neither of these is within the expertise of the personnel manager.

Also, the modern personnel manager has been limited by assignment. Under modern management thinking, the personnel manager is an internal service provider, generating valuable support services for those who work within a business.

It takes a different type of expert to see the potentials. The business is not run for the benefit of employees, they are the hired help. The business exists for the purpose of those who originate and continue it. It is run for the benefit of owners and investors.

The subject addressed in this work is not personnel in the common sense of the term; it is management. It is gaining performance through the direction of subordinates to productive efforts. This may well involve employees; but it may also involve purchased results, temporary workers, contracted workers, or even family members of business owners. Directing work to employees is only

one method of accomplishment among several well-documented alternatives.

Early in my career, I recognized the importance of law when it came to the performance of work, and received my law degree in 1971. My combined studies in management and law have provided perspectives not readily available from either personnel specialists or today's general managers.

The question of propriety of source is still valid. If the challenge of this work is in management, why aren't management leaders addressing it? Where is the reasoning behind receiving information generated by an industrial engineer?

The answer to this challenge is found in the definition of engineering. Engineering is the art and science of finding practical solutions to real problems. This should be compared to the profession of management, which is gaining desired results through the direction of business resources to productive efforts.

The manager is a worker, someone who has a purpose that is a constant challenge. The fundamental performance of management is not one of improving management processes, but of applying these to obtain results. Business performance is what managers accomplish, and management leaders are leaders in the application of management.

The engineer is the specific-problem solver. Engineering relates to management where there are specific challenges to be met, or defined problems to be solved. It is not an expertise in day-to-day applications, but one addressed to handling exceptions as opportunities for technical support.

Industrial engineering is the technical specialty most aligned with the general purposes of management. It is a work specialty, often based on efficient process, that is focused on gaining performance through application of business resources.

My unique expertise is in management engineering. It is not only based on the education regularly provided to industrial engineers, but upon a career where I have dealt regularly with work issues in both production and in management support areas.

I started work in the 1960's, and observed the workforce first hand. I was aware of the changes that had been recently made in the labor pool, and have watched other changes as they have occurred. The modern worker is a far less desirable business resource than a worker of twenty years ago. That worker from the 80's was far less desirable as a business resource than was a worker from the 1960's.

What we have been touting as progress in labor management has reduced the value of workers to the businesses that employ them.

Management has not generally recognized this loss of value as a reason to take any action. Managers have consistently and effectively performed the basic function of management, doing as much with available resources as can be accomplished. The current attitude and approach of management does not even consider the potentials for managing the labor pool. It only deals with the workers that it finds available, with the intent of making them as effective as possible for gaining desired results.

It takes a management outsider to bring the deeper need into focus. Only then can the appropriate managers recognize the larger drift away from performance in order to deal with it effectively. It takes a management outsider to identify the potential for a senior manager taking charge of the larger workforce. A management engineer can provide knowledge to support intelligent decisions that initiate actions to establish more effective general management. It takes a management outsider to examine the expanded potential for management itself.

Industrial engineering, with expertise in efficiency of operations, is the specialty most likely to interfere for the benefit of owners and operators, addressing the larger issue of accomplishing effective management. The industrial engineer is also the right professional for gathering information supporting enhanced efficiency of operation, whether in production or in management. The preparation of this work by an industrial engineer is both proper and to be expected.

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Problem & Direction for Solution

Labor and management have long been in a struggle for the wealth earned by a business. There is an ongoing competition for distributing the benefits created through the successful operation of a business. Management has focused on seeing to the interests of owners and investors. Organized labor is focused on addressing the needs of workers.

As a starting point for analysis, consider that competition is one of the most ineffective ways to perform anything. It is always extremely expensive, and is arranged so that accomplishment by one side is resisted by the efforts of others.

Good management is based on getting people to work together for common productive ends. What we have been doing, and what we continue to do today, is not good management.

“Ain’t My Job!”

For a manager, there is no greater frustration than those three simple words. They tell the manager in no uncertain terms of the limits of authority to direct workers to productive efforts. These words are a challenge equivalent to *“You have all the value you are going to get from me!”*

This is not a characteristic of working people in general, it is a characteristic of workers in this time and in this place. Fifty years ago, if a person hired as a forklift operator had a problem with his equipment, he took pride in being able to do the regular activities that would return his equipment to good operating order. Now, he calls in a mechanic, and sits off to the side while repairs or adjustments are made. If anyone is so bold as to ask why he is just sitting there instead of proceeding to do some other task, the answer is again, *“Ain’t my job!”*

Why are people hired? Is it to do a job or to promote the profitable operation of a business? Why are people paid? Is to fulfill the duties of a position or to generate valuable results? We are witnesses to a cultural shift of such magnitude that its apparent invisibility can

only be called blindness. The damage that has been accomplished on the American worker over the last several decades is astonishing.

It is even more difficult to accept the analysis of the cause. We have the senior manager who has something to accomplish through an organization. He decries the state of labor relations, but what does he do?

He takes no action on his own. His effective answer: *“Ain’t my job! I just manage with the resources I am able to get.”*

He assigns his personnel efforts to a personnel manager. We then have a personnel specialist who is missioned with providing personnel support to other parts of the organization. When this disturbing loss of value is brought to his or her attention, this officer also recognizes that it is a terrible direction of change, but that he or she isn’t the one to do anything about it. The effective answer: *“Ain’t my job! I just get such people as I find, and pass them to the supervisors who need workers.”*

Rather than being above the workforce problem, modern managers are part of the problem. The personnel manager is not held accountable for the quality of people provided. The senior manager is not held accountable for the personnel he or she gains through expending the resources of the business. The lack of accountability is independent of whether the cost is payment for the personnel office or for the workers.

There is a long-term price to be paid. It is seen in a continuing and serious loss of operating efficiency. It is a price in loss of profitability of business in general. It is the difference between paying a willing worker to do all that they can reasonably accomplish, and hiring a worker who will do only what he previously agreed to do as part of employment. The difference is great, not only in attitude but in what can be accomplished.

This brings us to the hardest part of developing a solution; addressing the cause to those who can, and should, be doing something about it.

Why is there a business?

The answer is in the profitability of operation, it is in gaining profit for owners and investors for their personal benefit. People start or invest in today’s businesses for the same reason that they have taken part in business from the beginning of time. They do it to get a

living. They put value in, based on an expectation of gaining personal income to live and to raise their families, or for other personal uses.

Why do businesses hire workers?

The answer is in the profitability of operation. Workers are brought into a business to perform tasks that generate products and services, which can then be sold to business customers. This is how businesses operate. The assertion that workers should be hired to fill positions is shoddy thinking, and a distraction from purpose. Workers should be hired for their contribution to profitable operation.

Why do businesses hire managers?

The answer is in the profitability of operation. Managers are hired to gain performance through exercising control over business resources and directing these to profitable operation. This is how businesses operate. The assertion that managers should be hired to fill positions is just shoddy thinking, and a distraction from purpose. Managers should be hired for their contribution to profitable operation.

The “*Ain’t my job!*” answer is not only poor worker attitude, it is poor management attitude, and constitutes an assault on any reason for hiring the person into the business.

Is there someone who should be doing something different?

The unhappy answer is “*Most certainly.*” We have managers who have been ducking their responsibility to owners and investors by attempting to quarterback the action to personnel managers. We have personnel managers who have replaced responsibility for results with responsibility for completion of traditional personnel processes.

The first required action goes to senior management. These managers are the ones who are in a position to make assignments to personnel managers that will reverse this unfortunate development in labor relations. They are the ones who are in a position to require the provision of effective workers as a result from their subordinate personnel group’s efforts. Senior managers are the ones who are in a position to manage the larger effort of the business to maximize profitability through managing over subordinate personnel efforts.

This action is now prevented by the same unacceptable attitude in management that exists in labor. The “*Ain't my job!*” answer is the result of a void in management. Responsibility for business-level performance rests with senior management. It is senior management that is responsible for rearranging the operation of the business so that productive effort becomes the responsibility of subordinates. That is a major purpose for having senior managers hired into the business.

The first challenge facing the modern senior manager is that there is no existing body of knowledge on how to reverse the direction for change in modern labor relations. This work provides a harsh, but effective, way to begin the process. I specifically note that this work only shows how to initiate an effective process. It provides no single formula that is going to suffice to implement good management practices. Management is an art form, not the result of applying some sort of procedural recipe.

The second challenge is the state of personnel management. It is currently missioned and staffed to perform a set of personnel processes, and these define the core skills and abilities of personnel managers and workers.

Let us start with the unacceptable obvious. Our modern approach to personnel management is not working! It allows, and possibly encourages, a steady decline in labor relations. A senior-management effort is required to bring order and direction to any corrective effort. As a matter of good management, the top management action needs to both identify what personnel management should accomplish, and assure that it has sufficient resources and direction to gain that result.

Consider that there is currently no definable and required result from personnel management. There is no agreed productive result that defines a difference between successful and unsuccessful performance of the personnel mission. We face a state where the senior manager has nothing to gain through the efforts of the subordinate group. Personnel management is currently based on operation of process. Personnel management, as a group effort, is currently both unmanaged and unmanageable.

This work contains the foundation for defining success for personnel management so that it can be effectively managed and supported in its accomplishments. It provides a link between personnel operations and business performance. It provides a link between workers and personnel operations.

This work examines an assignment process that supports the establishment of management over the personnel function, such that it's successful operation maximizes business-level performance.

Defining a Solution

I am an engineer, one accustomed to finding practical solutions to specific problems. I am addressing an area where there are existing and well-accepted approaches and processes. My intent is to construct something more serviceable and more valuable to business managers, owners and investors.

The engineer sees this as a challenge of construction. There is a phased engineering procedure that has been found effective when constructing something new. The procedure begins with demolition, with tearing down the older and less-serviceable structure. The next phase is brushing aside the rubble and performing preparation work for the area where the new structure will rise.

This introduction will accordingly start with the negative, it will address areas where we should have much better management tools than those currently available.

The first major challenge is in the invisibility of the problem to modern managers. It is often difficult to see the obvious when we have become too used to not looking. One of the most effective presentation techniques is analysis of comparative examples, as in viewing a single situation with different assumptions.

Challenge of the Union

In this first example, we have a management decision to continue the past contribution level to employee medical insurance, even though the insurance carriers have increased their premiums by nearly half due to a very serious flu epidemic for which the medical community had no immunization.

The workers are very distressed by having their contribution more than double. They take this to management as a matter of fairness.

When management is uninterested in raising the business contribution, the worker's union gets involved, and suggests that labor should not foot the entire bill. The Union offers to negotiate to find a "fair" increase.

Management is adamant that they already have a fair contribution, and have no interest in putting additional business funds into worker insurance. They have neither legal nor moral responsibility for such a change.

The Union then suggests binding arbitration. Business management responds that the business considers its contribution as an inducement supporting employment; and that is not a matter subject to arbitration. It is a management issue only, with serious question as to whether any contribution is even necessary. The present contribution is considered to be a freely offered benefit. Management insists that the workforce and Union should not be using it as an excuse to demand increases in effective pay.

Based on this refusal to even commit the matter to arbitration, the Union calls for a strike vote. The first action is formation of a picket line in front of the offending business. The resulting action causes substantial damage to both the workers who join the strike, and the business that is unable to operate without workers.

Now we examine the general situation a second time, except that the business is using workers who function as subcontractors instead of employees. Instead of being employed, they are independent businessmen who sell their time and labor to the business under open-ended performance and personal service contracts. Their contracts include the promise of the business to pay a contributing sum for contractor medical insurance as a means to assure the availability of contract workers to meet the production needs of the business.

These workers also belong to the Union.

The flu epidemic strikes; and the cost of insurance skyrockets. The workers gather to request relief from the business on the basis of fairness. The business again refuses, stating that there is no basis for such an increase in their contracts; health insurance is ultimately a contract worker's responsibility.

On going to the Union, the workers find that they cannot strike. They are not employees. The Union rather suggests that they are not beholding to the business to continue their contract relationship; and suggests that they stage a mass exodus through dropping their performances and terminating their contracts. The Union points out that this is very much like a strike, except that they do it as individuals addressing an effective violation of their contracts by the business.

With this advice, they drop their contracts and set up picket lines in front of the business.

The difference is immediate. The business calls in the police to break-up the “unlawful assembly” of prior contractors who are interfering with business operations. Only employees have any recognized rights that justify interfering with the operation of the business.

Employees have rights that are protected by labor law, and these include rights in the business that employs them. Contract workers do not have legally protected rights in the business, but have rights and privileges as specified in their contracts. Any positive action of the type being demonstrated in this example would constitute a tort against the business, a personal wrong that, instead of being protected, would be a basis for the business seeking damages from the workers.

The Union, in its effort to represent and support these workers through suggesting a group effort, would be fulfilling the Union role defined in labor law. If its advice and direction went to actual employees, the call to leave the work relationship would be legally protected as proper representation.

With contract workers, the Union is not a party to the contract, even if the workers are members of the Union. The performance or personal service contract is between each worker and the business that signs his or her contract. Any entrance of the Union for the purpose of disrupting these contracts would be interference with the legally protected right of the workers and business to enter into valid contracts.

A third-party Union that drew the contracted workforce together for unified action would be outside of legal protections given to labor representatives. Advising them to make a mass exodus from their contracts would probably be a legally actionable offense. It would involve conspiracy to harm the business, which is far beyond any right to represent independent contractors to the business.

It is very likely that the business could proceed against any and all funds of the Union to satisfy any resulting damages. This would most certainly include any “strike fund” that was maintained for the benefit of those who were illegally picketing the business.

Depending on local laws, if the officers of the Union pursued this type of action based on representing contracted workers, they might even be subject to criminal prosecution for conspiracy.

This is an indication of the many differences between labor law and contract law. They serve different purposes, and they have different rules and mandates. They both can be used for the purpose

of management. They are alternatives for gaining things through directing the efforts of others.

The Modern Workforce is Made of Employees

Is there some overriding reason why we use employment to get workers instead of performance or personal service contracts? Is there some purpose being served?

There is no question about the preferential use of employees in most businesses. There are only a few businesses, such as temporary employment agencies, that commonly use general contracts instead of employment contracts. For the most part, temporary employees are procured from these businesses rather than trying to contract for personal services directly.

There is even one further option that is still less used; the business can hire employment services from a third party. Such does occur in maritime businesses where the Union is prepared to provide both officers and a crew for a commercial vessel. Many maritime businesses provide the ship and cargo contracts, but leave the manning of the venture to the Union and the ship's master, who the Union may also provide.

At least part of the answer is found in the expertise of the modern personnel specialist. This is a person who is expert in labor law, and provides that expertise for the benefit of others working in the business. Workforce requirements go to this expert, who is in place to provide employees to meet the performance needs of the business.

It is only when this process for gaining workers is inadequate that the other methods of getting workers are seriously entertained. Where the work is discontinuous and temporary, as it would be in fulfilling a large government design contract, then it would be very expensive to try to meet that need by hiring employees. The employment action establishes a relatively long-term commitment on the part of the business to pay for each worker's efforts. Where work is highly specialized, or the specific skill is only temporarily needed, as in gaining an attorney to pursue a court action against a rival firm, a more temporary relationship is appropriate. The courtroom attorney is likely to be contracted for the job, instead of being offered employment.

In looking at our modern workforce, it is clearly dominated by workers who are employed. Probably more than ninety percent of

workers are employees, even after including self-employed professionals.

Work is even designed for performance by employees rather than by temporary help. When actions are passed to the personnel office, there is every effort to assure that there will be a continuing need for the worker. Modern personnel practice highly favors bringing in new workers as long-term resources for direction by business managers.

Employment seems to have many natural advantages. Among the most apparent is loyalty. Where a long-term relationship is contemplated, the worker is expected to take an owner-like interest in the welfare of the business. The employee has a duty to protect the property of the business, both physical and intellectual. The employee has a duty to obey proper directions by business managers, and to show them respect as officers of the business that provides employment. By seeing to the welfare of the business, the employee is seeing to his or her own continuation as an employee.

The business also, and for the same reason, is expected to have an interest in assuring the continuation of the value of the worker. The business is expected to provide reasonable pay, and to arrange for advancement as the employee becomes more valuable to the operation of the business. The business is expected to provide training and educational opportunities to help the employee become more valuable. The business is expected to provide special benefits such as contribution to insurance and retirement. The business is expected to support vacations and to continue pay for temporary periods where the worker must be away from work, as with illness. The business is expected to provide relative safety and security in the workplace, caring for the workers as they continue their performance efforts.

These values are well known and recognized. The costs are not generally as well presented, but are just as real. There are costs associated with entering into a long-term relationship with someone who desires to get what they can from the relationship, and to then move on. There are whole classes of employees who do this, and are considered just as valuable as longer-term workers. They are accepted as upwardly mobile high-achievers.

As noted in the earlier example, there is the potential for unionism that comes with employment. The application of labor law in general is triggered by the act of employment. Unionism is not supported by other methods of gaining workers.

There are also special legal consequences that come from having employed workers. The business owes much to the employee, including care for the worker's personal safety. The business can end

up paying dearly for any safety failure that leads to damage. Consider the worker who is allowed to operate noisy machinery without special hearing protection. Even if the worker chooses to put the equipment aside, and only suffers long-term hearing loss because of his or her own insistence, the business can still be held liable for the damage. This is not true for those who are independent contractors or temporary employees procured through a contract with a temporary employment agency.

Contracting for workers is not a basis for collecting unemployment insurance payments from the business. Contract workers are self-employed. They have to pay their own insurance costs. They have to manage their own taxes. They have to see to their own welfare and take reasonable responsibility for their own safety and security.

There are also social engineering laws, such as those that put responsibility upon workers to treat women employees equal to men. There are laws that require special hiring practices, or mandate other support activities for handicapped or socially disadvantaged workers. These laws do not apply to workers gained under general contract; but only to employees. These specialty rules are elements unique to labor law, and have no equivalent within general contract law.

The concentration of employment as the predominant means of getting work done is even greater in management than in direct performance areas. It is very rare to find any contract managers. Managers are almost universally employed as the means of getting the benefits of their efforts.

This is understandable both in their purpose of running the business, where loyalty is extremely important, and a general disinterest in being represented by unions or other third-party agencies. Managers work for the business, and are the ones who direct workers to their tasks for the benefit of the business.

Let's ask that first basic management question. What is the value of hiring someone into the business?

The answer is in what that employee contributes to the operation of the business. The general purpose for any business effort is determined by profitable results, by comparison of the value of business product to the cost of gaining that product.

The first and abiding purpose for hiring production workers is to have someone to direct to the performance of income-generating work. Hiring workers gets its purpose from business-level performance. The purpose of hiring managers is to have someone to direct others to their performances for the same overall productive purpose.

People are hired into the business to operate it for the benefit of owners and investors. They are hired to generate valuable results, with value determined by business operation.

The Corruption of Employment

There is another aspect to this puzzle, one that goes to the purpose for management. Management is gaining performance through the efforts of others. Management hinges on dealing with resources so that value gets generated for the business.

When we address performance through contracts, the evaluation of the performance is under terms of the contract. The terms of the contract address what the business values in the relationship. To measure performance, we compare what the contractor has accomplished to the terms of the contract. The contractor receives pay if the terms have been met.

When we address performance for employees, the common evaluation process is not based on any terms that direct performances. This process is based on successfully completing the requirements of a job description. That description is itself commonly limited to unspecified work applications in particular skill areas. The employee is paid for being an acceptable employee, meeting the terms of their employment agreement. These terms can be met without producing anything of value to the business. It requires managerial and supervisory skills from the immediate supervisor to effectively connect earned pay with performance. We pay the worker as much for what the supervisor is able to accomplish through the worker, as for what the worker does.

One of the most startling observations from recent business history is seen in the ability of managers to perform that most basic management function, gaining performance through subordinates. The available workforce has become ever more recalcitrant and hostile to direction by managers. The workforce also has become more demanding of pay and personal benefits, and more able to gain these through dealings with unions, government offices and the courts. None of these external organizations have any direct interest in the profitable operation of the business or the value it produces for owners and investors.

Those who have influenced labor law as it relates to employment have, over the last several decades, been successful at setting aside the long-term purpose of management. Whatever general business management is doing, it seems unable to reverse the trend toward

making employment into a more difficult and expensive proposition for the business. The general drift is a continuing limitation and proscription of management actions that might direct workers to their productive efforts.

The key to understanding the situation is found in law, not in business. It is found in history, not in examination of existing situations as independent occurrences.

Employment is a fairly recent way to get performance through the efforts of others. It has become popular only in the past few centuries. Employment has no early history equivalents, but relates early on to the concept of slavery.

Under slavery, the slave is considered the property of the owner, and the owner is able to deal with the slave just as he or she deals with other owned property. The early laws governing slavery were the same as the laws applied to personal property. Employment has grown out of the laws governing masters and servants. It has little foundation in early laws supporting regular business operations.

In the early history of civilization, we find slavery being banned only when previously enslaved people were recognized to have rights and privileges under law.

The general source for new laws was the interest of government in requiring personal services from all people within its jurisdiction. Early development recognized the interests of the central government in gathering taxes from servants, and conscripting servants into military or other public service. The state had a right to protect its own governmental interests in servants, no matter what arrangement might have been recognized between the servants and their masters. The area of law that formed was called "Master and Servant."

We find, in the early history of the United States, people gaining passage to this country as bondservants. This outgrowth of servitude resulted from people of little means selling a portion of their lives into servitude in order to gain certain economic or personal advantages. The law of master and servant was modified to recognize a remainder interest in these servants. They were not slaves, but were entitled to legal protection as people who were serving for a limited purpose, and for a limited time period. The law would protect their personal rights against the time when their bond would be fulfilled.

When businesses began to grow due to the industrial revolution, it brought about another major change in the law of Master and Servant. This time it was employment, a way for a person to bond very temporarily to a limited servitude based on payment. An employee

was someone who rented their skills, time and effort to a business for direction during working periods. These employees sold less of their rights to personal freedoms, and so there was greater recognition of personal rights in these new workers. The business got only the right to direct their efforts during working periods; and the workers were otherwise free to act according to their personal preferences.

The first corruption would probably be associated with business interests. Business leaders saw to their own interests by subjugating workers to more slave-like roles through setting up company towns, and putting provisions in contracts that forbid employees to join labor organizations.

Incorporation had a great influence, as employees were citizens and had rights that were not given to legally-created persons such as business corporations. Unionism followed, and the ability of businesses to proscribe labor-organization membership was denied. Workers were more numerous in their citizenship than owners and managers, and they began to have laws passed supporting union representation of workers.

Key among these rights was equality among employees, a strange concept for business use as it tended to level work among workers for the benefit of employees. The workers began to exercise group effects on business operations for their own benefit.

Business management has also leveled work among workers, but not for the purpose of personal equality. Work was rather leveled to maximize productive performance. The worker's right to equality of treatment has benefit only to workers, not to the business. There is no recognized business benefit for owners and investors from accepting worker rights to fair and equal treatment.

Government also found other legal reasons to step into the laws governing Master and Servant. Businesses were required to collect personal taxes for the government. Businesses were required to provide "safe" working environments for workers, and to take positive action to promote the welfare of socially or politically disadvantaged persons. Women and children were given special protections. Laws were passed banning discrimination against people because of religious or sexual preferences.

Modern labor law, the result of these changes to Master and Servant doctrines, has become a major part of our business environ

ment. It has its own administrative bodies and courts. It has its own rules. It has its own enforcement authorities to see to its applications. It has fostered such socially determined areas as unemployment insurance for workers, where the business pays for even the potential abuse of workers who might be released from employment agreements.

Labor law has grown into a creature of its own, with its own practitioners. There are attorneys who practice labor law. There are personnel specialists who work for businesses with expertise in dealing with employees. We have an established employment Industry where there are professional-recruiter businesses and temporary-employee providers.

**Business value is determined by:
the value produced for customers
and the cost of producing it.**

The operable questions that bring this into perspective are those addressing value. The purpose for any business is found in its profitable operation. It should operate for the benefit of owners and investors. Where is the benefit for these owners and investors when it comes to personnel? Are managers also hired into the business to support owner and investor interests? Where is the profit relationship when it comes to personnel decisions? What values are modern managers able to generate for owners and investors through modern personnel activities?

To put this more directly into the language of management, "Where is the profitable result that a senior manager is to accomplish through assigning responsibilities to a subordinate personnel management group?"

The probable answer will be a stunned silence. We have no traditional management tools for relating personnel to value produced. There is no way to easily define what that more-senior manager is to accomplish. This is why modern personnel organizations are unmanaged as to their performance.

This further brings the matter into sharp focus. The purpose of management is gaining through the efforts of subordinates. There is nothing specific to gain through personnel efforts. The personnel effort is currently unmanageable. We have costs incurred by businesses from which there is no known benefit. This is an invitation

to inefficiency, in an environment where the inefficiency is all but invisible to the manager in charge.

The purpose of this writing is to establish that missing management, and to provide more-senior managers with specific definitions and understandings that include knowledge of what may be gained through personnel actions. It includes means for measurement of costs attendant on various performances. This work supports intelligence in the internal investment of business resources in personnel activities.

Poorly Used Alternatives

Just how important is employment to business operations. The prejudice is almost pathological. How is any modern business supposed to continue without employees? How can managers function without employees to be directed to their efforts?

The initially startling answer is a simple statement; there is no need for employees at all. Neither the number nor quality of employees measure success in business. The business's employment practices are not in issue. Business success is measured by profitable operation. Profitability is measured by comparison of the cost of goods sold to the income earned through sales. These are the only two necessary measurements. Other measurements have profitable meaning only as they impact on these two essentials, value consumed and value produced.

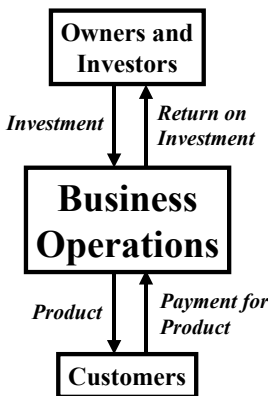


Figure 1 - 1

Modern personnel efforts have no direct impact, but are a way to gain and maintain people to do the work. Employment is just one alternative among many. The challenge is that employment is so highly prized that other alternatives are not well represented.

Consider a general supply contract. Here the business would contract for delivery of the results of efforts in another business. The performance of the supply work would be handled by the other business in its internal operation, and the result would be procured through contracting with that outside business. There is no employment required to gain the intended value, only a contract for delivery.

For another alternative, consider the personal service contract. It is an agreement between the business and a worker, whereby the business agrees to provide payment to a worker, and the worker agrees to provide skill and effort for direction by the business. It is not an employment subject to the law of Master and Servant, but a general contract subject to Contract Law.

Again, consider the temporary employee, who actually is taken on by a third-party business. He is effectively rented to the business who pays the third-party provider for the worker's performance. That worker is not an employee of the business, and often not an employee of the rental business. This is still, however, a way that the manager can get performance through directing others to their work. These alternative methods for gaining workers are immediately available. They provide workers without the costs and benefits associated with employment contracts.

Another potential is seen in the use of retainers. A retainer fee functions as a contract to enter into a performance contract. The attorney can be put under retainer, promising services to a business at set or usual rates for work that may arise in the regular prosecution of business. When the work arises, the attorney is contacted to provide services, and the services are provided as previously agreed. It is one more way to get the benefits of workers without having to enter into any employment contracts.

Which is the best way to get workers for direction to gain productive results? This direction for evaluation is not generally a part of modern business. The action is handed to the personnel manager with the presumption that employment is highly preferred. The more-senior manager needs to ask him or herself the operable question as part of the decision process for seeking a new personnel resource. *"What should the personnel manager be asked to accomplish?"*

If gaining a new resource is simply directed to today's personnel manager, it will almost certainly be approached with preference for employment, getting full benefit of the expertise of the personnel manager in dealing with workers under the law of Master and Servant. If it is directed to the contract specialist, they are more likely to address their process, and the use one of the alternative forms of worker contract.

The indicated challenge is in the realm of management, not in the personnel effort itself. The problem facing the manager is that there is no one person to whom the challenge can be assigned without assuming a prejudiced response. The senior manager is called upon

to determine the gaining method by selection of the one who receives his or her assignment. The expertise of the specialists who are available to take any action assigned is not generally made available until after the direction for assignment is already established. This indicates a lack of application of intelligence until after the decision has been made, and then intelligence is limited to the area to which the work is assigned.

The lack of Management

Odd though it may seem, the modern manager does not feel that uncomfortable with the current situation, but is content to rely upon the expertise of the personnel specialist for most personnel actions.

Good management, however, is not based on faith in the expertise of highly skilled employees, it is based on fulfilling the purpose for management. That management purpose is itself based on fulfilling the definition of management.

**Management is:
gaining through the efforts of others.**

The recognized process for good management fixes its operating requirements. The first principle is that the manager must have something to gain through the actions taken. Until there is something to gain, there is no possibility of management. Then there must be someone to be directed to performances. Without this, the manager is not managing, but is the one performing the task. Then the manager must be in effective authority over the one person who receives the order to perform. The one assigned must be in authority over sufficient resources to accomplish the performance. The final requirement is the need for action. The action is bringing authority to bear, and assigning responsibility for performance to the appropriate subordinate.

The mismatch with personnel actions is immediately apparent when addressing value. By business purpose, the manager is given authority in order to direct the resources of the business to generate value for the benefit of owners and investors. This is why managers are paid by the business. Managers represent a cost incurred by business owners and investors for the purpose of generating profits.

This fundamental purpose is met through the two essential measures of business performance. Purposeful performance is seen

by comparing the value, income earned through distributing products to customers, to the cost incurred in operating a business to generate those products. Other efforts, including personnel actions, have value only as they impact upon these two essential measures.

The first challenge for the manager is an identification of the impact to be accomplished through a personnel action of any sort. There is no possibility of intelligent management until such a value is identified. The management will not be intelligent until the potential for generating that value becomes the purpose of the management action that commits resources.

A second challenge is found when we consider the many alternatives to traditional employment, and note that these avenues of accomplishment use very different processes when performed by different experts. Good management requires a competent determination of who should receive the assignment based on what they have to accomplish. There is a serious challenge raised when the “who” question is effectively answered by the process, rather than by the productive result to be accomplished.

The third challenge is to ability to direct performance. How is the manager who has something to accomplish, going to direct someone to a productive result when that result is only vaguely described, and the process for accomplishment unknown? How will the senior manager intelligently resource the effort to assure its performance? In the personnel arena, today’s management assumes the process rather than the result, and that process is used to determine the resources. The decision of the senior manager is effectively limited to directing the application of the existing process.

With modern personnel, we have a process that is essentially out of control, and without any but local guidance from within the personnel specialty. That guidance highly favors gaining productive potential through employment. The manager is encouraged to go to this specialist whenever he or she has any personnel requirements, rather than to seek a best solution from among alternatives.

Losses to Benefits

With the strong personal preferences inherent in our present management approach, it is challenging to even get a decent grasp on the benefits that have been lost due to the failure of management over personnel actions. We even lack a good and immediate basis for measuring the loss.

The losses that we can most easily identify are those associated with performances that arise as a result. We can examine situations to see where common personnel practices, those not currently based on intelligent management, do decrease our profitability and/or ability to gain performance through subordinates.

One of the most obvious directions for losses is through performance incentives. We are urged to deal equally with employees, even to assuring equality of pay for equal positions.

The immediate disconnect is visible in the focus on equal positions, not equal performances. Employees are paid for being employees rather than for performing. If they are equal in employment, they are given equal right to demand payment. An under-achieving worker is to be paid just as well as an over-achieving worker. Exceptional performance is not naturally rewarded, and exceptionally poor performance is not naturally punished. The work that can be accomplished by almost every worker becomes the standard for performance, a lowest common denominator. Every worker's pay is to be based on gaining that lowest acceptable performance.

The actual cost may be difficult to identify where this attitude and approach are in effect, but the direction of the challenge is not subject to question. It is going to cost the business a great deal in lost potential performance.

Similarly, the enhancement of employee rights has had great impact on performance. It raises up a host of secondary no-value priorities to be met by business managers. The natural value for any business is found in profitable operation, and doing what needs to be done to gain profit through directing workers to performances. Redirection of employees based on concern for human rights raises concerns with the maintenance of resources, which are without business-level value. Maintenance activities yield no obvious benefit for the business. Worker maintenance efforts emphasize treating employees correctly; distracting managers from their central purpose of assuring profitable performance.

In its raw state, the relation between a business and a worker is inherent in the purposes for which the relationship is established. The worker gives up his rights to spend his time doing what he wants to do; surrendering it to the business in order to gain pay. The worker rents out his own abilities. The business gives up some of its potential profits in order to gain the benefit of having the time and abilities of the worker to direct to performances that are of value to the business.