

# Worthington Essay Contest

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## The Mycenae Dilemma

Name: Seth Uzman

UTEID: ssu83

Email: seth.uzman@att.net

Class: Freshman

To Members of the Board:

The board finds itself caught between its readiness to accommodate Ulysses Cunningham and its obligation to acknowledge MySy's workforce. To judiciously navigate this dilemma, we must consider MySy's present and future success in the context of its employees, Mr. Cunningham's contract (the boulevard, salary bonus, and golden parachute), and Cunningham's past and future worth. The health of the firm will rely on how these issues contribute to or detract from MySy's cohesion and stability. To sustain MySy's future success, the board should, as previously planned, dedicate the boulevard to our loyal and talented employee, Anton Jax.

### The Value of Employees

Employees like Mr. Jax form the centerpiece of MySy's relationship with clients. Our viability relies on a foundation of employee creativity that is responsible for MySy's steady stream of customers. In the services industry, innovation trickles not only down from management but up from employees.<sup>1</sup> Experimenting with new problems, employees develop new practices for satisfying clients that the firm can sustain and build on in the future.<sup>2</sup> Moreover, executive policies and employee efforts must interact and cooperate to harness improvements from innovation.<sup>3</sup>

Since clients, however, may behave more loyal to an employee of ours than to our name brand, invaluable resources like Jax generate not only innovation but also channels of profit.<sup>4</sup> Further, the kind of

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<sup>1</sup> Rubalcaba, Luis, Stefan Michel, Jon Sundbo, Stephen W. Brown, and Javier Reynoso. "Shaping, organizing, and rethinking service innovation: a multidimensional framework." *Journal of Service Management*. 23.5 (2012): 701-2. Web. 28 Jul. 2013.

<sup>2</sup> Rubalcaba, Luis, Stefan Michel, Jon Sundbo, Stephen W. Brown, and Javier Reynoso. "Shaping, organizing, and rethinking service innovation: a multidimensional framework." *Journal of Service Management*. 23.5 (2012): 701-2. Web. 28 Jul. 2013.

<sup>3</sup> Rubalcaba, Luis, Stefan Michel, Jon Sundbo, Stephen W. Brown, and Javier Reynoso. "Shaping, organizing, and rethinking service innovation: a multidimensional framework." *Journal of Service Management*. 23.5 (2012): 701-2. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=1757-5818&volume=23&issue=5&articleid=17058076&show=html>>.

<sup>4</sup> Koprowski, Wayne, and Khalid A. Razaki. "Coming of age for a consulting company: An entrepreneurial transition case study." *Journal of Business Cases and Applications*. 4. (2010): 5. Web. 27 Jul. 2013. <<http://www.aabri.com/manuscripts/11821.pdf>>.

talent exhibited by Jax and his coworkers is scarce and in high demand.<sup>5</sup> Given the booming IT industry, it's reasonable to assume Jax is not the firm's only employee who has remained loyal and rejected employment opportunities elsewhere. Therefore, safeguarding and respecting our workforce go hand in hand with sustaining MySy's success. Why else would the board dedicate the boulevard to Anton Jax in the first place?

### Dedication of the Boulevard

How a firm capitalizes on a talented and creative workforce, however, depends much on the cohesion of the workplace, consisting of employee attitudes towards their work and their relationship with management. Providing a fertile work environment for employee talent requires a variety of practices. While valuing salary, reward and recognition are central as well to ambitious and creative IT employees.<sup>6</sup> Motivated through acknowledgement and appreciation, engineers are more willing to explore and experiment with different ideas.<sup>7</sup> Preserving workplace cohesion not only supports MySy's daily

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<sup>5</sup> IDG Reporter, "Talent shortage looms in Big Data: Hudson ." *Computer News Middles East*. 14 Aug 2013: n. page. Web. 16 Aug. 2013. <<http://www.cnmeonline.com/news/talent-shortage-looms-in-big-data-hudson/>>.

Mosley, Valerie, and Margaret Hurley. "IT skill retention." *Information Management & Computer Security*. 7.3 (1999): 129. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=0968-5227&volume=7&issue=3&articleid=862742&show=html>>.

<sup>6</sup> Oliver, Stan, and Kondal Reddy Kandadi. "How to develop knowledge culture in organizations? A multiple case study of large distributed organizations." *Journal of Knowledge Management*. 10.4 (2006): 13-5. Web. 28 Jul. 2013. <<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=1367-3270&volume=10&issue=4&articleid=1562720&show=html>>.

Lock, Gwen E. . "Living, valuing and sharing" -- a case study of retaining IT professionals in the British Columbia public service." *Career Development Informational*. 8.3 (2003): 153-6. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=1362-0436&volume=8&issue=3&articleid=883334&show=html>>.

Mosley, Valerie, and Margaret Hurley. "IT skill retention." *Information Management & Computer Security*. 7.3 (1999): 130-2. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=0968-5227&volume=7&issue=3&articleid=862742&show=html>>.

Lockwood, Diane, and A. Ansari. "Recruiting and retaining scarce information technology talent: a focus group study." *Industrial Management & Data Systems*. 99.6 (1999): 251-5. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=0263-5577&volume=99&issue=6&articleid=849957&show=html>>.

<sup>7</sup> Slåtten, Terje. "Antecedents and effects of employees' feelings of joy on employees' innovative behaviour." *International Journal of Quality and Service Systems*. 3.1 (2011): 97-104. Web. 28 Jul. 2013.

<<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=1756-669X&volume=3&issue=1&articleid=1911746&show=html>>.

operations but also propels the success of the firm as a whole. The dedication of the boulevard, however, could potentially upset this cohesion.

The board likely informed Jax of its intent to honor him in order to ensure he would accept the dedication.<sup>8</sup> Since Jax remained the honor's subject until Cunningham's interference, we should assume Jax accepted the award. Foregoing this agreement in order to satisfy Ulysses Cunningham breaks the board's agreement with Jax and threatens the cohesion of the workplace. Should Jax broadcast the conflict's details to coworkers, solidarity exhibited among fellow employees will render his indignation infectious.<sup>9</sup> While employee disobedience can take a myriad of forms, the board can expect disruptions of firm activities and declining productivity and service quality,<sup>10</sup> crippling the firm's competitive edge. Such an incident would tarnish MySy's reputation of rewarding its employees, an asset responsible for the firm's productive and innovative workforce,<sup>11</sup> rendering their replacement, if some should leave for more rewarding work, even more challenging. Now, the firm will be unable to execute, much less reap the benefits of, Cunningham's innovative leadership.

### Salary Bonus

Given public availability to CEO pay,<sup>12</sup> Cunningham's bonus will exacerbate the breakdown of the workplace. Regardless of whether Cunningham deserves his demanded bonus, Jax's unfair treatment

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<sup>8</sup> It is common procedural policy to give recipients advanced notice of recognition. Example: "Human Resources - Employee Recognition Program Policies/Procedures." *Western Connecticut State University*. Western Connecticut State University. Web. <[http://www.wesu.edu/hr/procedures/employee-recognition\\_1210.asp](http://www.wesu.edu/hr/procedures/employee-recognition_1210.asp)>.

<sup>9</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

<sup>10</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

<sup>11</sup> Dubov, Phillip. "Roger & Ann Worthington Essay Prize in Plan II Honors." *Plan II*. University of Texas, College of Liberal Arts, Plan II, 1 Jul 2013. Web. 1 Jul 2013. <[http://www.utexas.edu/cola/progs/plan2/current\\_stdnts/worthington/](http://www.utexas.edu/cola/progs/plan2/current_stdnts/worthington/)>.

<sup>12</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

would paint Cunningham's behavior as more self-serving than deserving.<sup>13</sup> Even if the boulevard dedication fails to ignite employee indignation, Cunningham's bonus could push any discontent or sympathy for Jax over the tipping point. If Jax contacts the public, outside scrutiny will call attention to Cunningham's salary bonus.<sup>14</sup> This could damage the firm's vital employee-friendly reputation and attract media attention to MySy's instability, panicking shareholders, deterring future clients, and reducing stock values.

Attempts to conceal the conflict, however, risk heightening employee discontent.<sup>15</sup> Transparency is the foundation for fair relationships; obfuscation upsets that balance and creates suspicions of malfeasance. Additionally, leak of a cover up could add fuel to a media firestorm about the firm's instability. Moreover, the salary bonus and the dedication of the boulevard create perceptions of wrongdoing that feed off each other, crippling MySy even further.

### Golden Parachute

Granting Cunningham a golden parachute will negatively impact firm longevity and management. Golden parachutes provide firm leaders a financial safety net, in the form of monetary compensation, in the event of a merger or acquisition.<sup>16</sup> There is a custom of granting golden parachutes to promote innovative management.<sup>17</sup> However, a recent study, published by Harvard Law School, concluded golden parachutes negatively alter the incentives of firm leaders and heighten the probability of firm acquisition.<sup>18</sup> With less

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<sup>13</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

<sup>14</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

<sup>15</sup> Neeley, Concha R., and Nancy G. Boyd. "The influence of executive compensation on employee behaviors through precipitation events." *Journal of Managerial Issues*. (2010): n. page. Web. 28 Jul. 2013. <<http://www.freepatentsonline.com/article/Journal-Managerial-Issues/253626928.html>>.

<sup>16</sup> Nathan, Robert. *"The Business Affairs Glossary (Third Edition): A Compendium of Business, Legal, and Litigation Terminology for the Music Industry"* 3rd ed. Carson City: Music Law, 2009. Print.(google books)

<sup>17</sup> Bebehuk, Lucian A., Alma Cohen, and Charles C. Y. Wang. "Golden Parachutes and the Wealth of Shareholders." *John M. Olin Center for Law, Economics, and Business*. (2010 Revised 2012): 2-3. Web. 27 Jul. 2013. <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1718488&download=yes](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718488&download=yes)>.

<sup>18</sup> Bebehuk, Lucian A., Alma Cohen, and Charles C. Y. Wang. "Golden Parachutes and the Wealth of Shareholders." *John M. Olin Center for Law, Economics, and Business*. (2010 Revised 2012): 1-25. Web. 27 Jul. 2013. <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1718488&download=yes](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718488&download=yes)>.

financial stake in the firm, leaders will more willingly accept a bid for acquisition.<sup>19</sup> Accepting the terms of Cunningham's contract accepts his innovative vision as central to MySy's continued prosperity. The golden parachute in his contract, however, provides Cunningham with the financial incentives to risk MySy's prosperity to a buyout, denying the firm the fruits of his leadership. An acquisition could encourage attrition and decreases in productivity, depending on the variable smoothness of the transition between old and new management.<sup>20</sup> Moreover, acquisition leaves MySy with neither the security of a stable workforce nor Cunningham's leadership.

What if Cunningham forgoes acquisition? With a financial cushion, executive decisions bear more risk towards the company than to the executive. New research based upon firm stock returns indicates that this risk differential corresponds to suboptimal returns, as a result of irresponsible management.<sup>21</sup> Although the risk differential may appear small, it appears sufficient to adversely affect firm performance. Moreover, a golden parachute may prevent Cunningham from utilizing his primary asset: his leadership.

### Cunningham's Past Value

CEOs can further a firm's success in many ways. One way is to become the firm's indispensable resource, rendering the firm's success inseparable from the CEO's leadership.<sup>22</sup> If such is the case of MySy, Cunningham has impeded, rather than driven, MySy's success. A good architect designs a building without the specific need of him or her holding it up or repairing it. Like a well-designed building, a firm's success should stand robust and sustainable, ready for others to improve it when the CEO departs.<sup>23</sup> Further, a creative CEO should supplement a firm's plans for the future, rather than form their center. After all, a CEO's value is dependent upon his employees. A creative idea at the top is only as promising as its

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<sup>19</sup> Bebchuk, Lucian A., Alma Cohen, and Charles C. Y. Wang. "Golden Parachutes and the Wealth of Shareholders." *John M. Olin Center for Law, Economics, and Business*. (2010 Revised 2012): 8-12. Web. 27 Jul. 2013. <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1718488&download=yes](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718488&download=yes)>.

<sup>20</sup> Nikandrou, Irene, Nancy Papalexandris, and Dimitris Bourantas. "Gaining employee trust after acquisition: Implications for managerial action." *Employee Relations*. 22.4 (2000): 334. Web. 28 Jul. 2013. <<http://www.emeraldinsight.com.ezproxy.uhd.edu/journals.htm?issn=0142-5455&volume=22&issue=4&articleid=879728&show=html>>.

<sup>21</sup> Bebchuk, Lucian A., Alma Cohen, and Charles C. Y. Wang. "Golden Parachutes and the Wealth of Shareholders." *John M. Olin Center for Law, Economics, and Business*. (2010 Revised 2012): 22. Web. 27 Jul. 2013. <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1718488&download=yes](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718488&download=yes)>.

<sup>22</sup> Collins, Jim. *"Good to Great"*. New York: HarperCollins Publishers Inc, 2001. p. 45-48. Print.

<sup>23</sup> Collins, Jim. *"Good to Great"*. New York: HarperCollins Publishers Inc, 2001. p. 25-27. Print.

execution at the bottom. For example, should the firm need to adjust to compensate for market developments, a creative solution from Cunningham will invariably depend on our employees' flexibility to adapt.<sup>24</sup> Therefore, a CEO's vision cannot be separated from its execution. Only firms that value flexible creativity over singular vision will prosper in an evolving economy.

### Cunningham's Future Value

The board should consider Cunningham's motivations. Why would CEO Ulysses Cunningham willfully force the board to choose between him and our employees? To secure talent through satisfying vanity is irresponsible and begs the question of the individual's worth. Innovative leadership integrates, rather than divides, a firm and its employees. To risk MySy's reputation and relationship with its employees reveals Cunningham's disregard for MySy's values and continued prosperity. If the centerpiece of Cunningham's value is leadership quality, his behavior reflects a change in character that severs our trust.

Let's adopt, temporarily, the arguments of my detractors. First, siding with Jax rather than Cunningham simply indulges one individual's vanity over another. On the contrary, Jax did not solicit the board for this honor; Cunningham did and in a surprisingly coercive fashion. Additionally, the issue is not Jax versus Cunningham, but how best to sustain the firm's cohesion from top to bottom. That is our indispensable resource. Second, Jax and our employees may behave more diplomatically than expected and generate little collateral damage. This view is debatable. What is certain, however, is signing Cunningham's contract ties MySy's future to the quality of his leadership. Should another conflict arise, we can expect similar behavior. The risks of employee attrition, lost cliental, declining innovation and stagnating productivity will confront MySy with greater force, given employee memories of Jax's dispute, and threaten to squander Cunningham's innovative vision. Failing stewardship of the firm's competitive edge and reputation will force the board to recruit a new CEO in a significantly less attractive position than it is in at present.

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<sup>24</sup> Collins, Jim. *"Good to Great"*. New York: HarperCollins Publishers Inc, 2001. p. 41-62. Print.

**Concluding Remarks**

Board decisions further a firm's sustainable success. Cunningham's demands reflect uncharacteristically poor decision-making that perverse incentives from a golden parachute will only reinforce. Declining service quality from employees feeling collectively betrayed will ruin MySy's competitive edge and the fruits of any innovative management. Finally, firms that exhibit long-term success derive their strength not from their dependence on the architect but from their independence from it. In this light, the board should dedicate the boulevard to Anton Jax.

Sincerely,

Seth Uzman

Mycenae Systems Inc. – Board Member