

## **Infusing value: application of historical management concepts at a modern organization**

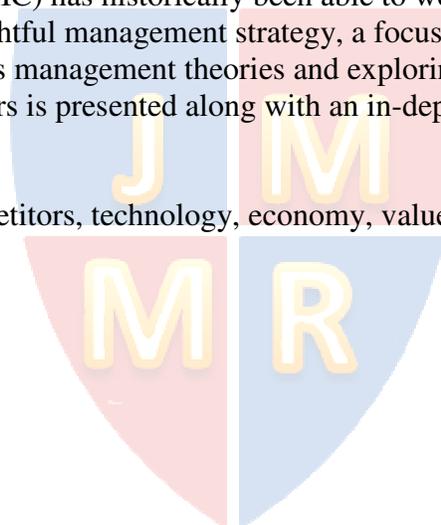
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### **Abstract**

History and the relative global marketplace have always proven to large organizations that there will continue to be wavering economic waters to navigate as well as deal with constant changes in the business environment. Today's economy is no different, and management strategies are continually tested to withstand the slow return to prosperity. Science Applications International Corporation (SAIC) has historically been able to weather these environmental business factors through insightful management strategy, a focus on employees, and value creation. By analyzing various management theories and exploring SAIC, a set of recommendations for managers is presented along with an in-depth view of what has helped SAIC to become successful.

Key words: Customers, competitors, technology, economy, value creation, management theories.



## Introduction

In a modern economy, a corporation can expect many scenarios, events, and a wealth of market and economic fluctuations. Today's economy is riddled with abyssal economic downturn and subsequently wild market fluctuations. Coupled with these events is marked competition from multiple avenues. As technology remains at the forefront of civilization, businesses not only must remain malleable to the aforementioned conditions, but continue to improve their technological infrastructure to keep a competitive edge since skilled and knowledge employees are likely to leave and take others jobs when better opportunities become available (Udechukwu & Mujtaba, 2007). Remaining at the forefront these factors create an impetus for success of an organization. However, all else aside, creating value and implementing positive, value-creating strategic management practices is the most practical direction to proceed to ensure a long-run outlook on organizational success and longevity (Chan, Fine, Khanfar, & Mujtaba, 2009). Science Applications International Corporation (SAIC) has found a way to implement various management theories and increasingly be successful, all the while creating value for the company through a host of value drivers.

## SAIC Background

SAIC is an employee-owned corporation with a track-record of high-level client service and organizational success. J. Robert "Bob" Beyster, Ph.D. founded SAIC in 1969 and it has since grown into an international company with around 45,000 employees (SAIC, 2009, About...). He is also the author of *The SAIC Solution*, explaining how SAIC came to be successful. According to Reuters (2009), SAIC can be described as "a provider of scientific, engineering, systems integration and technical services and solutions to all branches of the United States military, agencies of the United States Department of Defense (DoD), the intelligence community, the United States Department of Homeland Security (DHS) and other United States Government civil agencies, state and local government agencies, foreign governments and customers in select commercial markets" (Reuters, 2009, p. 1). Through the years, SAIC has remained at the forefront of business decisions and management strategies to carry the company through both great times and economic turmoil. Through these, SAIC has been able to "position the company for sustainable growth," even posting ten billion dollars in revenue for fiscal year 2009; the first time in the company's history (SAIC, 2009, Annual..., p. 2). Part of this sustainable growth, however, can be found within how the company motivates itself.

Employee-owned corporations are generally derived through some type of employee stock ownership program (ESOP) within the company. SAIC has chosen to remain employee owned, partly due to the fact that employee ownership is directly linked to one of the value drivers within value driven management (VDM) concept; owner values. SAIC has practically chosen to remain an employee-owned company as it sees employee ownership as an employee motivator and an input for wise business decisions. In fact, employee ownership has been described as that it "carries with it a sense of responsibility, a concern for the long-term welfare of the organization, and better human relations..." (Pohlman & Gardiner, 2000, p. 182) Jeff Gates, author of *The Ownership Solution*, places a strong argument on the positive side of employee ownership, almost placing a warning on companies that do not participate in this form

of ownership. Mr. Gates states that “unless ownership in contemporary organizations is significantly broadened to include employees at every level in the organization (as opposed to ownership almost entirely by investors), corporations will become increasingly disconnected from the personal consciences of those who work inside them” (Pohlman & Gardiner, p. 45). However, employee ownership is no cure-all for organizations either.

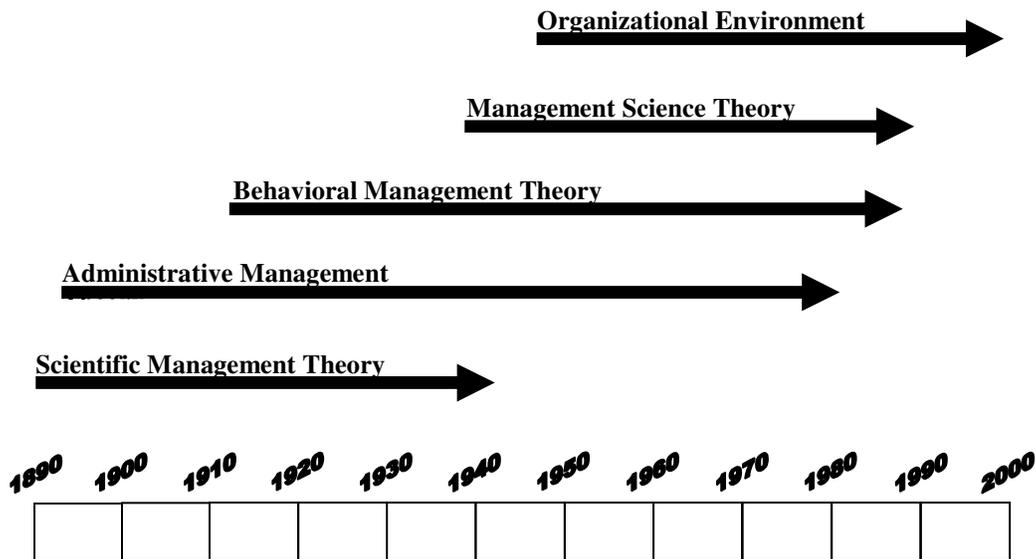
Gates goes on to explain that there is not much that employee ownership can do for companies to “insulate [them] from competition, technological change, or shifting markets” (Pohlman & Gardiner, p. 155). As SAIC continues forward, however, sustainability and long-term growth are still at the forefront of their management plans. Mr. Gates continues, suggesting that “companies embrace employee ownership as a component of their competitiveness strategy” (Pohlman & Gardiner, p. 155). This, in fact, is exactly what SAIC has done. Dr. Beyster, the founder and former CEO of SAIC, firmly believes that employee ownership has been a key to the firm’s success. Along with employee ownership, SAIC has also been able to successfully integrate key management practices into the company, allowing for retention of employees and solidifying the foundation for successful, sustainable growth in the future. By directly addressing the value drivers established within Value Driven Management, value has continually been created at SAIC. However, to actually implement these concepts, SAIC has had to constantly evaluate their current situations, among a host of other factors.

Due to the fact that SAIC is a large international corporation, they must take an even greater observance to their overall global environment in which they operate. The global environment can best be described as “a set of forces and conditions in the world outside an organization’s boundary that affect the way it operates and shape its behavior” (Jones & George, 2009, p. 189). This external environment helps direct the path in which SAIC takes the company by their analysis and implementation of management strategies. Furthermore, SAIC operates across many diverse markets and cultures, as well as through the United States Government. Due to these factors, they must also take a great concern with their general environment, such as economic and technological forces. Organizations that stay abreast of these forces will have an automatic heads-up, as economic forces “affect the general health and well-being...of an organization” and because technological forces “can make established products obsolete” (Jones & George, pp. 198-199). The dynamics of these forces change rapidly in today’s world, offering wide-ranging challenges. Losing sight of these indicators increases the chance that the organization will lose their competitive edge. However, to stay on top of these forces, SAIC has come to understand the evolution of management and the various theories that have been developed throughout history.

## **Management Theory Briefing and Application**

The history of management theories can really be simplified to understand what each involves. The five management theories are scientific management theory, administrative management theory, behavioral management theory, management science theory, and organizational environment theory. These five main management theories can best be assessed by looking into each one, through the timelines, presented in Figure 1, then pairing some of the management theory details to the approach that SAIC uses.

Figure 1 - The Evolution of Management (Jones & George, 2009, p. 41)



The scientific management theory came to light during the 1890's, from Frederick W. Taylor. To put it simply, scientific management basically aimed its focus on pairing management with science, job specializations, and division of labor, all with a background focus on behavior and performance. In fact, Taylor formally presented during the early 1900's that "the best management is a true science, resting upon clearly defined laws, rules, and principles, as a foundation" (Mirchandani & Ikerd, 2008, 41-42). As Taylor applied these principles, he sought to restructure processes and develop new ways to systemize them to increase efficiency within the organization. From his efforts, Mr. Taylor created four principles that could create efficiency within the organization (Jones & George, 2009, p. 43):

1. Study the way workers perform their tasks, gather all the informal job knowledge that workers possess, and experiment with ways of improving how tasks are performed.
2. Codify the new methods of performing tasks into written rules and standard operating procedures.
3. Carefully select workers who possess skills and abilities that match the needs of the task, and train them to perform the task according to the established rules and procedures.
4. Establish a fair or acceptable level of performance for a task, and then develop a pay system that provides a reward for performance above the acceptable level (Jones & George, 2009, 43).

Through these principles and implementation, Mr. Taylor became well known across the nation for his efforts. These, too, cleared a path for new, and sometimes related, management theories to be developed.

During a similar time period, there were other theories being developed that focused more on creating high efficiency and effectiveness through organizational structure and control

systems, rather than through science-based directives. This theory became known as the administrative management theory. During this time, there were two main forces involved in the administrative management theory; Max Weber and Henri Fayol. Max Weber developed the theory of bureaucracy, which is closely tied to organizational structure concepts. Whereas organizational structure is “the system of task and authority relationships that control how employees use resources to achieve the organization’s goals”, Max Weber explored these structures to increase efficiency and effectiveness (Jones & George, 2009, pp. 48-49). Similarly, Henri Fayol also developed a set of fourteen principles that reigned in management to increase efficiency as well; division of labor, authority and responsibility, unity of command, line of authority, centralization, unity of direction, equity, order, initiative, discipline, remuneration of personnel, stability of tenure personnel, subordination of individual interests to the common interest, and esprit de corps. With these in mind, Fayol points to the fact that management can be more efficient when all of these principles are well understood within the organization. Still today, many of these principles are relevant, even as other management theories continued to follow.

Behavioral management can be defined as “the study of how managers should behave to motivate employees and encourage them to perform at high levels and be committed to the achievement of organizational goals” (Jones & George, p. 55). Furthermore, it has also been hypothesized that behavioral management not only reinforces employee satisfaction and motivation (Ochoa and Mujtaba, 2009), but also the amplitude of agreement between the employee’s goals and the organizations, as well as the “presence of good manager-employees communication” (Chalhoub, 2009, p. 62). These helped to procure the behavioral management theory, which mostly came out of the United States during periods from the early to mid twentieth century. During this time, Mary Parker Follett was instrumental in assessing F. W. Taylor's theory. For one, she pointed out that Taylor had left the human side out of much of his scientific management theory (Kennedy, Heinzman, & Mujtaba, 2007). According to Kennedy et al., Follett placed more emphasis on real analysis of Taylor's theory as well. Furthermore, the Hawthorn Effect and both Theory X and Theory Y were developed during the behavioral management theory timeline.

In short, the Hawthorne Effect basically states that a manager’s behavior can affect workers’ level of performance and effort (Jones & Mujtaba, 2008). However, it was noticed during the testing of this theory that almost any type of management theory or input will work in the short term. Some of the successes found during the testing of the Hawthorne Effect showed that employees often put forth extra effort just because they knew they were taking part in an important study and analysis, thereby throwing off the actual results. Aside from Follett’s work, there was also Douglas McGregor, who developed Theory X and Theory Y.

Basically, McGregor came to the conclusion that “work attitudes and behaviors...dominate the way managers think” and “affect how they behave in organizations” (Jones & George, p. 57-58). From these came the X and Y theories. Theory X simply states that workers are inherently lazy and need a great amount of oversight to make them productive. Theory Y is just the opposite, stating that employees want to work and will perform their jobs and that managers should make sure workers have the resources necessary to achieve organizational goals. Theory Y is more of a generally accepted management theory, as it helps to align the goals of the organization with the employees. Even today, there are many companies that follow the basics of Theory Y.

The management science theory is a slightly more modern approach to management that was initially developed during the mid twentieth century, but gained momentum toward the end of the twentieth century. Management science theory is actually a more modern take on Taylor's scientific management theory. By definition, management science theory uses rigorous quantitative techniques to help managers and workers make maximum use of available organizational resources. Within this theory there are several branches comprised of quantitative management, operations management, total quality management, and management information systems. Then, through this theory, technology became a backdrop. Specialized functions, mathematics, computer-based systems and analysis tools all helped drive each of the aforementioned branches of science management theory. In the end, by using technology as a tool for analysis, organizations put a focus on quality of products and services, thereby creating a more efficient and effective means of operating.

The last of the five major theories of management is the organizational management theory. The organizational management theory really broke new ground when looking into management theories because it focused a great emphasis on "how managers control the organization's relationship with its external environment" being that these conditions "affect a manager's ability to acquire and utilize resources" (Jones & George, p. 61). Based upon the organizational structure and the marketplace in which an organization operates, it is increasingly important to create synergy between departments and teams, especially when competing for resources, both in human employees and physical products. Much light was shed on this concept through the works of Daniel Katz, Robert Kahn, and James Thompson during the 1960's. However, the contingency theory also came out of organizational management theory, which was also first derived in the 1960's. The contingency theory was developed by Tom Burns, G.M. Stalker, Paul Lawrence, and Jay Lorsch. The main issue that they pushed through their research was that there is not a single source or perfect solution as to the best way to organize, yet it must include factors based on the external environment in which the company operates and competes. Furthermore, the theory assesses mechanistic versus organic structure, where the comparison is between centralized and decentralized authority, respectively.

Due to their success, SAIC has actually created a conglomerate management theory that uses various portions of the five aforementioned management theories. More specifically, much of this success has been brought through management based upon Fayol's fourteen principles of management, Theory Y, and contingency theory.

There are definitely some of Fayol's fourteen principles of management that have been cast aside by SAIC, but some that have remained include equity, order, remuneration of personnel, and stability of tenure of personnel. In regards to management strategies, Dr. Beyster has previously stated: "We tried many different innovations. Some worked well; many didn't. However, if something did not work, we quickly tried another approach" (Beyster, p. 14). It can be assumed that it was imperative to SAIC management that a revolving door of strategy was a must to remain evolutionary as a company. Through its growth, SAIC remained malleable to their environment, constantly retooling their management strategy that took on a likeness to market-based management. However, Dr. Beyster has identified nine keys to their success, one of which directly stems from Fayol's principles; equity.

Fayol's take on equity was that all employees should be treated as equals, with total fairness to all individuals, regardless of level. Dr. Beyster used this approach to derive his plan of an employee owned company. He discusses that his first key to success with SAIC was to "share your equity" (Beyster, p. 14). Once he took on the assumption that all employees should be

treated as equals, with total impartiality, he was realizing the other benefits of an employee-owned company, as this concept also tackled remuneration of personnel and stability of tenure of personnel. Dr. Beyster stated that:

When I started SAIC, I owned 100 percent of the company. However, I saw the challenge of convincing scientists and engineers to leave the security of their government and aerospace employers to join me. I knew I would have to do something dramatic to attract talented and highly motivated people. That something was enabling employees to become owners of SAIC through stock purchase programs. The more equity I shared, the more talented people we attracted, and the faster we grew. We built a culture rooted in the idea that those who contribute to the company should own it, and ownership should be commensurate with contribution and performance. My ownership soon dropped to 10 percent; and when I retired, it was less than 2 percent. Today, 80 percent of the employees own company stock (Beyster, p. 14).

This powerful assessment by Dr. Beyster really does culminate and bring together some of Fayol's principles through the SAIC employee ownership ideals. Not only does it help to establish a form of equality within the company, but it also acts as a remuneration tool by providing reward to employees. This program also tackles the stability of tenure of personnel due to the fact that the employee continues to accrue ownership of the company as their years of service increase within SAIC. The longer they are employed, the more skills they acquire and can feed back into the company, thereby creating a hand-in-hand relationship with the benefits of remuneration. These ideals helped tackle Dr. Beyster's main concern at the beginning of SAIC, stating that "I was worried about recruiting" (Economy & Blasi, 2007/2008, p. 15). The final Fayol-based principle that SAIC addresses is "order."

Fayol's assessment of order was that it meant structure to assist career planning for individuals and the organization, as well as the systematic arrangement of various positions and organizational charts to clarify the position and duties of each job. Even then, this setup could also assist the organization with the ever-present issues of succession planning and advancement of higher-level management and leadership. SAIC initially established their company on the premise of decentralized authority with a flattening out of organizational structure that was common during the 1960's and 1970's. Initially, SAIC was structured under the format which has been described as "a loose federation of entrepreneurial companies" (Graves, 2004, p. 1). Not only with this organization of the company, but employees were also to act as their own small business.

The flattened hierarchy allowed employees to assess their decisions and weigh them as to if it could help or hurt the overall quality of the company and their products and services. In a way, each employee at SAIC had some form of decision-making power that allowed them to be an entrepreneur. Other previous research on SAIC points out a similar viewpoint where "management's principle job...is less management (in the traditional sense), and to create an environment where their people can do their own thing" (Stankosky, 1997, p. 47). With all of these factors in play, SAIC, as an employee owned firm, turned itself into a multi-billion dollar organization. However, with Dr. Beyster retiring from SAIC in 2003, there were also changes within the structure and order of the company.

Due to new leadership ideals and a changing world economy, the company took on a more centralized viewpoint of organizational structure. SAIC management describes the change

in 2004 as “a time of transition for both SAIC and our country” due to the fact that “economic, business and political landscape have undergone dramatic change,” thereby requiring different ways of thinking (SAIC, 2004, p. 4). At this same time period, SAIC announced to the public that it would change its structure to resemble a more hierarchical organization (Graves, 2004, p. 1). Even then, the change has allowed the company to continue to grow from a six billion dollar company, crossing the ten billion dollar mark since, yet continuing to remain employee owned. Still other management theories follow, which is the case of Theory Y and the contingency theory.

As previously explained, Theory Y assumes that employees are not inherently lazy and that they want to work and succeed for both themselves and the organization. SAIC realized this early on, establishing the decentralized management structure and allowing the employees to operate with a higher level of autonomy. The contingency theory comes into play with Dr. Beyster’s need for recruitment and retention of high quality, motivated individuals as the company was starting. This same thought applied as the company was growing. Basically, SAIC used the contingency theory to apply a specific structure to its organization, based on the environment in which it operated. In this case, SAIC initially had to convince many prospective employees to pull out of their current employers which satisfied them in terms of job security and other needs. Since then, SAIC has somewhat changed its approach to management, due to factors mostly stemming from changing world business markets and other economic factors. However, there are some theories which SAIC has never used.

Some of these theories include Theory X. SAIC assumes that employees are there because they are not lazy and they want to be fulfilled based off of their decisions and their contributions to the firm and themselves. However, they have recently mixed in a miniscule amount of Theory X, as they have created a more centralized organizational system in the past few years. They now mix both mechanistic and organic structure within the organization. At this point, it is highly recommended that SAIC does not switch totally to Theory X and rely on mechanistic structure, as retention of performance employees would decrease. Furthermore, development and malleability of the organization would also decrease, in the end, creating an environment that would decrease their competitive edge in the market-place. Previously mentioned as well, some of SAIC’s decisions over time, particularly when Dr. Beyster was at the helm, have really taken on a similarity to market-based management. They have implemented a decision-making body that revolved strategy through the organization, keeping what works well and throwing out and replacing incongruent strategies with something new.

## **The Evolution of the Management Era**

Douglas McGregor’s work during the Evolution of Management Era began during the mid twentieth century. His book, *The Human Side of Enterprise*, published in 1960 and really “changed the path of management thinking and practice” (Kopelman, Prottas, & Davis, 2008, p. 255). McGregor explained through his research that managers should decentralize their power from forcefully commandeering their directives, to more of an approach where they nurture the employees needs and understand their behaviors so that the manager can lead and assist the subordinate in achieving personal and organizational goals. It is important to realize, however, that McGregor’s Theory Y promotes a direct link between the manager’s behavior and mindset to the employee's performance and motivation:

At the heart of McGregor's argument is the notion that managers' assumptions/attitudes represent potentially, self-fulfilling prophecies. The manager who believes that people are inherently lazy and untrustworthy will treat employees in a manner that reflects these attitudes. Employees, sensing that there is little in the job to spur their involvement, will exhibit little interest and motivation (Kopelman, Prottas, & Davis, 2008, p. 256).

When Theory Y is actually applied successfully and fully understood, responsibility is still never lost.

McGregor emphasizes that when managers come to the realization that employees are motivated to help the organization, they can decentralize authority and provide more control over the job to its workers. When this is applied, managers cannot lose sight of the fact that Theory Y stresses "the manager's role is not to control employees, but to provide support and advice" (Jones and George, 2009, p. 59). Through these ideals, it can be seen how dramatic of an effect that McGregor's work had on the management community. It provided new insight and theory into a movement that completely disassociated from previous beliefs of others that Theory X was the only way to control and manage an organization.

McGregor's contributions of Theory Y during the 1960's had a tremendous impact on the success of future companies. Companies such as Hewlett-Packard adopted this very same theory and saw great success through it, as well as has SAIC. Through its decentralization and flattening of hierarchy and structure, SAIC spawned great innovation and performance through its employees by adopting Theory Y. When this relates to performance, employee ownership of a company would probably never have happened if it were not for Dr. Beyster's implementation of management principles stemming from McGregor's Theory Y. As previously mentioned, when Dr. Beyster retired from SAIC, there were some structural changes. These can best be described by looking into direct and indirect environmental forces that have been influencing SAIC over the past decade.

### **Forces for Influence and Impact**

Since 2000, the world has seen many events and changes. Many of these have directly or indirectly affected global business markets, among other outcomes as well. SAIC has seen changes over the last few years, particularly stemming from these events. These factors have strongly influenced the organization's progress. Two direct forces from the task environment that affect SAIC are customers and competitors. Furthermore, two indirect forces that can be found within the general environment are definitely economic and technological forces. Each of these can be reviewed for greater understanding.

Within the task environment, customers are a key direct force for SAIC. SAIC is founded on science, engineering and technology and their main customers are often the United States Government, foreign governments, and other agencies in the aerospace and defense industry. Therefore, they must remain at a current level of high quality and competitiveness, while keeping value intact. Otherwise, they would cease to be able to get contracts and remain competitive. With the customers being government and defense industries, these clients look for inherent value for the product or service they purchase. SAIC looks for feedback, derived from its customers, and constantly remains in alignment with these customers through a malleable business structure. This is seen by responding in 2004 to have a renewed effort as a "more

customer-focused SAIC” (SAIC, 2004, p. 4). This is a must as this force directly links to its competitors.

The task environment also provides for SAIC competitors as another direct force. Competitors can be defined as organizations that produce goods and services similar to another organization’s offerings which are also hoping for the same target markets. SAIC is a multi-billion dollar company with well over 40,000 employees. If they do not continue to infuse their competitive edge into the value of their products and services, they increase their chances of losing massive science and defense contracts. Keeping their competitors at bay helps to keep attracting and retaining employee talent and moving forward as an organization of choice for these aforementioned contracts and clientele.

Within the general environment, economic forces are an indirect force for SAIC. In fact, it was specifically stated in the 2004 statement to stockholders that part of the restructuring of the organization was due to economic forces and conditions (SAIC, 2004, p. 4). In general, economic forces affect the health and well-being of a company, a county or a world region (Jones & George, p. 199). Due to the fact that SAIC resides as an international corporation spanning many markets around the globe, economic forces can relay massive impact on the volume of business that they receive; being able to adapt to these forces helps to ensure growth and stability for the organization. However, economic conditions also affect people. Therefore managers are challenged with keeping their employees motivated even as layoffs, downsizings, or organizational structural changes occur.

Another general task environment force that affects SAIC is technological forces. Being that they are a company housed in the science and engineering fields, they must remain at the forefront of emerging technologies, while remaining the best in the business with all prior works and foundational material. Technological forces have increased effects on organizations and managers because it speeds up the necessity for decision-making efforts and “force managers to find new ways to satisfy customer needs,” but also has the ability to develop new products at a rate not seen previously (Jones & George, p. 199). With newer technologies emerging and virtual teams becoming a business necessity, IT and intelligent network structures are key internal technological forces to keep at the forefront.

SAIC responds to all of these factors very successfully. Their historical track record of a stable and malleable business structure, as demonstrated by their revenues and income in Table 1, ensure that they will continue to do so. SAIC solicits feedback from its customers and takes that information to improve their internal organizational processes and work flows. They also address their competitors with grace, continuing to add value to their products and services so they remain an organization of choice. SAIC seems to be handling Economic forces well also, thereby increasing their revenue stream tremendously over the past few years to well over ten billion dollars.

Table 1 – Growth Trends of SAIC  
(SAIC, 2005/2006/2009, Annual...)

	<i>Revenues (in millions)</i>	<i>Net Income (in millions)</i>	<i>Employees</i>
2009	\$10,070	\$452	45,000
2008	\$8,926	\$416	44,000
2007	\$8,060	\$390	44,000
2006	\$7,518	\$919	43,000 <sup>1</sup>
2005	\$6,910	\$384	-
2004	\$5,833	\$351	43,000
2003	\$4,835	\$259	-

<sup>1</sup>(SAIC, 2006, SAIC Announces...)

SAIC explains that through technology and investment, “our unique experience and capabilities in science and engineering, managing large-scale research and development efforts, complex supply chain processes, and data analytics, we can provide differentiation in the market and add business value for our customers” (SAIC, 2004, p. 6). With these efforts on the customers and technological forces, SAIC tackles direct and indirect forces along-side one another. As seen above, SAIC is engrained in adding value to their products and services for their customers, which is a key value driver.

### **Value Creation and Management**

In today’s global marketplace, change is very rapid and unique. Therefore, management implementation must be based on a framework that not only addresses these rapid changes, but also adds value to their products and services. Value driven management is unique in that it bases some of its foundation on the value theory, where “what people value drives their actions” (Pohlman & Gardiner, 2000, p. 3). As organizations conduct business, they must weigh their decisions as to their affect on value creation within the organization, based on whether they increase or subtract value. Even through rapid change in the marketplace, SAIC addresses their direct and indirect forces strategically so that they can create value for their customers.

SAIC creates value by supplying their customers with unique solutions derived by some of the best performing employees available. Their management solutions are also input in such a manner that when they find something does not work, they do not stick with it. If something is seen as a value destroyer to the company, they bring in a new process to bring the company back on track. In a sense, SAIC weighs their decisions on whether or not they are creating value for the company, also by soliciting feedback from their customers so they have external opinion to draw from.

Some of the relevant facets SAIC has examined can be derived from the direct and indirect forces previously mentioned, some of which are directly linked to VDM value drivers. The manner in which SAIC approaches its customer forces is, by far, a value adder. The same remains for its competitors. Through a competitive environment, products and services become improved. Even within a tough, competitive engineering and science marketplace, SAIC attacks competition with grace. They remain on good terms with many smaller firms, often acquiring them by necessity of strategy and to take the company to another level. This is also a value adder

because the acquired firm may provide a unique skill set that can add value and enhanced expertise to the customer product or service.

Economic and technological forces are also value adders within SAIC, even more so recently with their renewed strength to increase these efforts. If there were any value destroyers it would definitely be stemming from the external force of economic conditions. These conditions have led SAIC's more recent upper management to restructure the company on a more hierarchical atmosphere, elevating the authority of management and detracting from the previously-flattened organic structure of the company. It remains to be seen if this will work in the long-term. It could be seen as a value-destroyer if the new structure becomes too bureaucratic to function competitively. The organic structure of previous decades endured many tumultuous economic forces and it is recommended that SAIC not shy too far away from the original ideals. Though the new structure may become a value destroyer, SAIC's history has shown that if it does not work, it will try something else until it finds a successful approach. This, in itself, will help them ensure success and create value, even if it means returning to their original structure. However, it is the link between direct/indirect forces and VDM value drivers that is quite unique.

The value drivers behind the wheel of VDM are external cultural values, organizational cultural values, individual employee values, customer values, supplier values, third-party values, owner values, and competitor values (Pohlman & Gardiner, 2000, p. 36). Through previous assessments of SAIC, and their relationship to external forces and their management efforts, it can be seen how they tackle many of the value drivers, inherently adding value to their products and services for their customers along the way. Through the option of employee ownership, it can be seen that individual employee values and owner values are directly addressed. Jeff Gates even sees SAIC as one of the stunning successes in employee ownership. SAIC also realizes the rapid and degrading effects that might be wrought if there were no emphasis on competitor values. Especially in tough economic times, price wars can spawn from organizations, thereby absolutely destroying the value within each (Pohlman & Gardiner, p. 157). SAIC addresses these with grace, even acquiring interested firms, still creating value within their products and services. As previously seen, customer values and individual employee values are at the forefront of success. Without understanding people, what they value, and how this relates to their behavior, no company can be successful for any enduring amount of time. SAIC continues to place emphasis on these roles, analyzing and retooling their strategies when necessary. To move forward in a positive position, a set of guidelines can be established to help managers propel their staff and organization in this direction.

## **Recommendations for Managers**

Forward, positive movement of an organization and its staff requires a great deal of effort, both in managing the business of the organization itself and the employees. Success within an organization can directly stem from the effective and efficient management and leadership of the organization. In order to foster this environment, several recommendations for managers can be given and relate directly to the employees, motivation, growth, and communication.

The first major recommendation that can be produced is to develop a work environment for the employees that houses essential building blocks for their success. Reward and incentive systems have been directly linked to motivation. However, managers cannot totally rely on these systems. Motivation of the employee can also be garnished by facilitating an environment where

the employees feel as if they are acting as their own small business. This directly relates to SAIC, whereas employees realize that their actions directly affect their bottom line within the ESOP. As employees progress along this route, they can take on a keen sense of autonomy and empowerment where the employees “act as entrepreneurs and owners that question rules and make intelligent decisions” (Hughes, Ginnet, & Curphy, 2009, p. 403). However, to further establish the essential building blocks for employee success there must also be some form of feedback system. Feedback is a key point for employees because without good, constructive feedback, the employee will have no idea whether or not they are doing a quality job (Hughes, Ginnet, & Curphy, 2009, p. 482). It should be known however, that feedback contains a direct link to communication.

The second major recommendation to managers is a personal recommendation; to develop and hone the skill of effective communication. In the case of subordinate feedback, “the development of good feedback skills is an outgrowth of good communication, listening, and assertiveness skills” (Hughes, Ginnet, & Curphy, 2009, p. 482). In a way, employees can only excel and learn to the extent that their managers allow them. In a world marketplace where things change rapidly, it is best to facilitate a sound structure of communication where employees can grow and help the company to operate more efficiently. Communication does not only have a downward direction, however. It is highly important for managers to communicate upward also.

In today’s global market place, managers must remain abreast of market trends and focus on the environmental business factors in which they operate. Identifying these trends and effectively communicating them to upper management are key ideals in allowing the company to move forward. In the case of SAIC, Dr. Beyster constantly sought feedback from a variety of sources. This enabled himself and the executive management team to mold the business structure and management principles of the company to remain streamlined, competitive, resilient, and still produce quality products and services for their clients. However, this process can be more successfully achieved by fostering a team environment within the company.

It is recommended that managers foster some form of team environment within the organization. This might sound as if it detracts from the previous recommendation of employee autonomy, but it actually is the opposite. Fostering a team environment where excellence, ethics, and integrity are at the forefront allows employees to see the benefits of making wise decisions for themselves, yet being able to work well as a team when the situation calls for it. In essence, the team remains malleable to the situation; much like when managers or leaders must tune their approaches to fit the situation. To help foster this environment, managers must lead by example. Employees generally trust managers of high integrity “who demonstrate their commitment to higher principles through their actions” (Hughes, Ginnet, & Curphy, 2009, p. 167).

## **Summary**

Science Applications International Corporation (SAIC) has found a way to implement various management theories and increasingly be successful, all the while creating value for the company across a host of value drivers. However, this could not have been achieved without great leadership. Leadership, rational and emotional, both a science and an art, can be defined as “a complex phenomenon involving the leaders, the followers, and the situation” (Hughes, Ginnet, & Curphy, pp. 4-7). Dr. J. Robert Beyster understood these relationships well, was adaptive in his management implementation strategy, and led SAIC to continuous success until

his retirement from the organization in 2003. His actions created an impetus for success within the firm and engrained value deep within itself, especially in terms of motivating and attracting employees through believing in people and the employee stock ownership program. Even to this day, however, Dr. Beyster's words show a unique quality in his actions. In reference to timelines and SAIC, he states as one of the nine keys to establish a culture of success within an organization is to not "over plan" the future (Beyster, p. 14). More specifically, Dr. Beyster explains that he has never been a fan of long term plans because it inhibits the actions of leaders and discourages the organic growth of the company.

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