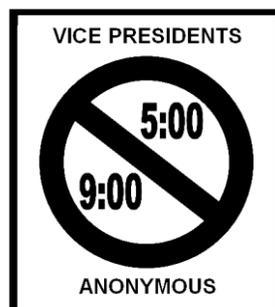


# HANS ARTHUR ANDERSEN'S FAIRY TALES



# HANS ARTHUR ANDERSEN'S FAIRY TALES

## 2

Once upon a time, there was a boy named Jack who lived with his mother. Jack wanted to go to college. But there was no money for tuition. So Jack's mother sold the family cow. Jack went to college.



Four years later, Jack returned home with a college degree and no job. But he did have three beans. "I traded the cow for a piece of paper and three beans?" Jack's mother cried. "What shall we do?" And with that she balled up the degree and winged it into the fireplace. Then she opened the back door and hurled the beans out into to the yard.

The next day around noon, long after Jack's mom had left to go work in the coal mine, he woke up and looked out the window. There in his tiny back yard, he saw, to his amazement, three green shoots rising out of the ground where the beans had been. They were each a foot high.

The very next day they were two feet high.  
On the third day they were three feet high—and they started sprouting beans.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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On the fourth day Jack invited his neighbors to watch the beans grow. By the sixth day, when the three beanstalks had reached 6 feet, Jack had sold them all to his neighbors.



On the seventh day the neighbors came to dig up their beanstalks knowing that they were going to get at least an extra foot of beans for free—for, indeed, the beanstalks had grown to 7 feet overnight.

But Jack said they couldn't dig up the beanstalks. That was because he had sold all the beans that were going to grow on the beanstalks from when they were 6 feet high to when they were 144 feet high. So he had already the foot that had grown over night. Also all the feet that the beanstalks would grow in the future up to 144 feet—with all the beans.

He had sold them to Beanstalk Hedge Fund on Wall Street.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Beanstalk Hedge Fund

Jack showed them a paper which said they could take the beanstalks they'd bought if they paid the Beanstalk Hedge Fund a lot more money than anyone in the whole town had ever seen.

So the town issued bonds to purchase all of the beanstalks from the Beanstalk Hedge Fund for always, now and in the future.

The very next day there was a rainstorm and the beanstalks collapsed. The neighbors assembled their torches and pitchforks and headed to Jack's tiny little house to discuss repayment of their money.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Torches and Pitchforks

But he wasn't there. Jack had been offered a job at the Beanstalk Hedge Fund because of his demonstrated ability to securitize beans.

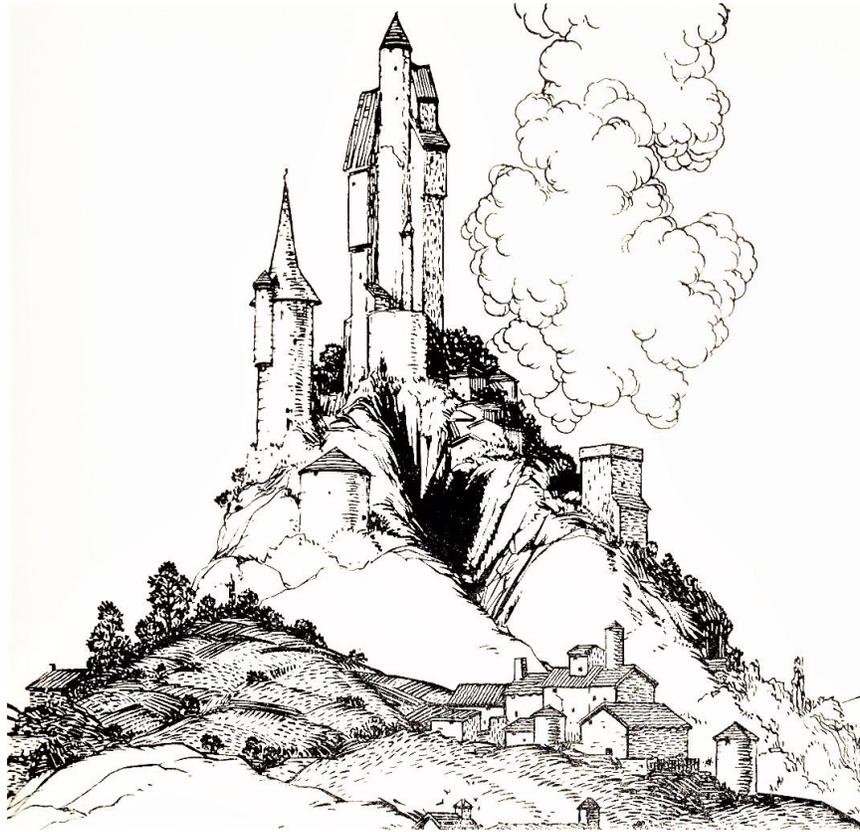
His mom was so happy that she quit her job in the coal mine.

They now have an unlisted number in Darien.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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*Silent upon a peak in Darien*

**MORAL OF THE STORY:** Who says working for beans a bust?



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Snow White

Phoebe Whitestone was anxious. It was her first day as manager of the analyst pool in one of the bank's divisions. She didn't have much more experience than her seven subordinates who were fresh out of college.



**The Seven Financial Analysts in happy times**

Phoebe knew that she had big shoes to fill. Victoria Blackstone, the previous manager, had made a name for herself by establishing and hiring the initial pool. Victoria got a huge promotion to a corporate banking team as a result. They had skipped two steps and made her a Vice President.

Phoebe hoped that she could do as well as Victoria had done. She was 7 years younger than Victoria, so if she could do the same thing, she would be the youngest Vice President ever.

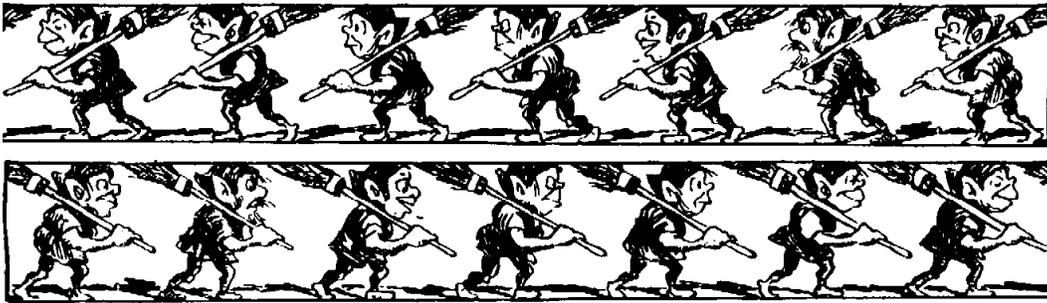


# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Phoebe quickly found that the newly hired analysts needed training in corporate finance if they were to produce the high quality pitch books and analyses that the bankers needed.

With no training funds in her budget, Phoebe knew that she'd have to teach any classes herself, based on what she had learned on the job. She designed some simple mandatory courses that met during the slow lunch hour. Each subordinate had to bring his or her own sandwich. They grumbled but attended.



**The Seven Financial Analysts getting trained**

Bennett Swells was the Executive Vice President (EVP) of the corporate banking division that Phoebe's analyst pool served. One day he bumped into Phoebe in the hall as she was going to the rest room.

EVP Swells said, "I really like the work your analysts are doing. I heard that you taught some classes to the juniors yourself. Good job. You've upped their game."

As he was speaking, Victoria was coming out of the ladies room; she had heard his comments. She was angry. She glared at Phoebe.

There was room for only one executive to get to the top, and she certainly wasn't going to have another female clutching onto her coattails, holding her back. Victoria was the one who brought those



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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analysts in—and she wanted to make sure that Phoebe knew they would be hers forever!

That night, while Phoebe was dreaming about her promotion and eating chocolate, Victoria was standing in front of a golden beaux-art mirror and having a conversation with it.

"Who is the best, the brightest and the most beautiful executive in the company?" The mirror didn't answer. So she asked, "Who will get to the top first?" The mirror didn't answer that either. So Victoria stared it down, and retreated to her parlor for a stiff double Tanqueray and Cinzano on ice. She'd made up her mind.



Who will get to the top first?

Two days later, Victoria came charging into Phoebe's office. She was waving a pitch book bathed in red ink. "This presentation needs a lot



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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of work. It's a mess. I've made notes. Get this revised today. I had to show it to Bennet Swells—Mr. Executive Vice President Bennet Swells to you. He wants it fixed too."

For the next several weeks, Victoria complained about almost every work product from the pool.

The seven analysts were annoyed and angry. They were working punishing hours to do an excellent job. For the most part, they were getting it done.



**They worked punishing hours and got the job done**

But Victoria was never happy.

One day the link to the semi-annual morale survey was emailed to all employees.

The seven analysts decided to comment candidly on the problems they were having on the job. All of them ranked their jobs at the bottom of the scale.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Management took action when they received the survey findings—these were Victoria's analysts, after all, and they were doing a really great job. The company couldn't afford to lose them. Phoebe was demoted to quality control officer for the unit: "Ms. Whitestone needs additional management experience before running a financial analysis team." The financial analysis team was reassigned to report directly to Victoria who was promoted to Senior Vice President. So that was the end of Phoebe's promotion. The bank hired 20 more analysts, though, so she had a lot more people to train and a lot more work to review.

Later Phoebe discovered that Victoria was the CEO's niece.



**Phoebe Whitestone demoted to Quality Control**

**MORAL OF THE STORY:** It is easier to inherit a promotion than to earn it.

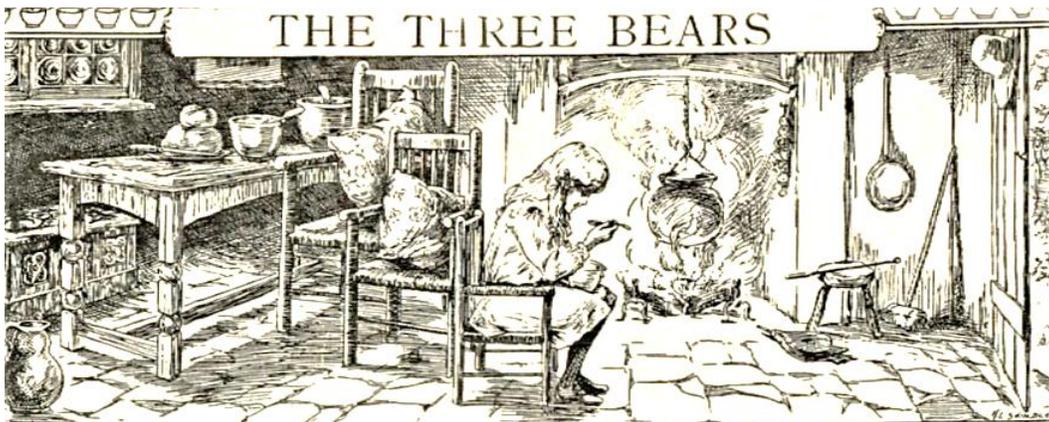


# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Goldilocks and the Three Bears

Goldilocks was not only blonde and beautiful, she was brilliant. She had developed a start-up called *GO-GO-GODOT* which had rocked Silicon Valley with 3 astonishing rounds of venture capital financing in just under 3 years. The concept was simple: you could get someone to wait in line for you at any time and any place—even the DMV. The software that ran it was hard to design, though. It had taken every ounce of her Cal- Tech trained genius to come up with it.



**It had taken every ounce of her Cal-Tech trained genius to come up with it.**

Now it was time to take *GO-GO-GODOT* public and make billions! She would get the big pay back for all of her genius.

As she walked up Hanover Street with her investment banker, Peter Pencil Knotting (PPK), she could see him taking sideways glances at her. She could see he was proud to be introducing her and *GO-GO-GODOT* to all of his biggest and best investors.

The first investor they visited was the famous *MEGA-BEAR & BULL* a huge technology shop. PPK made the pitch. "Nope. Sorry! No barriers



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to entry. Too easy to copy. You're asking way too much! She's cute though."



**Nope. Sorry! No barriers to entry. Too easy to copy**

The second investor they visited was **MEDI-BEAR & KRUMPET**, a savvy growth investing group. "Nope. Sorry! We need to see some cash flow in there somewhere. You should sell yourself to Apple. They have cash."

The third investor they visited was **MINI-BEAR, BONES & SHORT**. "It will drop like a brick at half the price. Thanks for bringing it in, though. If you do end up going public, we'll probably short it."



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If you do end up going public, we'll probably short it

Goldilocks was SO disappointed! She had worked so hard on her little company and she'd been so successful with all of her venture capital friends in Silicon Valley. Why were all these people in New York being so mean?

"They aren't being mean! They're just negotiating!" said Peter Pencil Knotting. "They'll come around."

And come around they did. On the day of the IPO, MEGA-BEAR, MEDI-BEAR AND MINI-BEAR all bought huge chunks of the issue. the market shot through the target price and stayed there. The three BEARS got massive windfalls as well as seats on the Board. And, yes, Goldilocks got her first \$ billion in stock. At least she thought she did.

Actually, it came out to \$5 million. That's how much she got after Peter Pencil Knotting paid the lawyers, and took his fees. He also had



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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to pay off the three BEARS. He paid them off through a multi-tiered LLC that worked through 300 different off-shore trusts for the BEAR CUBS in Grand Cayman. It was all part of a contract she'd had with PPK, but hadn't read very carefully.

While Goldilocks was still stunned by how much money she'd lost, the share price of GO-GO-GODOT started to drop. In the following months it just kept dropping—straight through the IPO price, right on down to \$3 a share.

At the next board meeting, the Board asked Goldilocks for answers. She didn't have any, "It makes absolutely no sense: everything in the company—revenues, profits, customers—all the good stuff—is going up! I just don't understand why the stock's going down."

"Not good enough!" Yelled MINI-BEAR

"It's your job to have answers!!!" Screamed MEDI-BEAR

"You're FIRED!" Raged MEGA-BEAR.



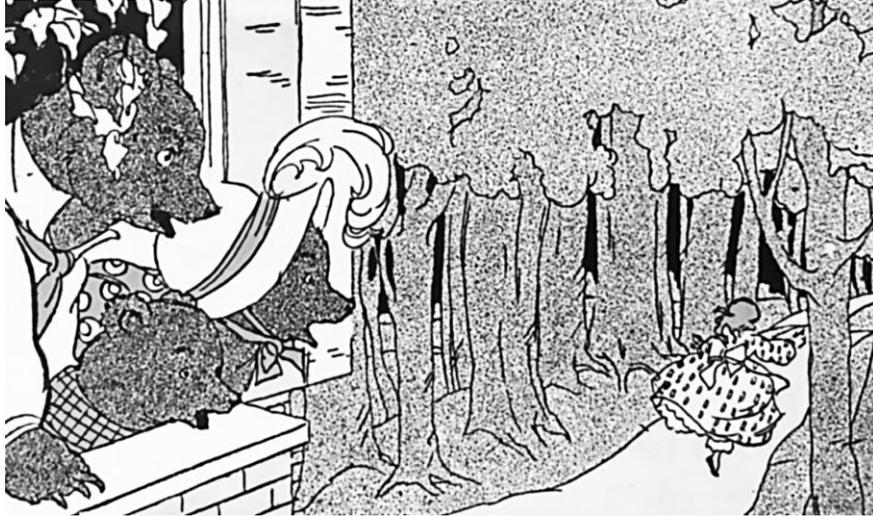
"You're FIRED!" Raged Mega-Bear



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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That was also another part of the PPK contract Goldilocks hadn't read very carefully: as it turned out, she didn't have a voting majority on the special voting stock—the BEARS did.



**She didn't have a majority on the special voting stock—the Bears did**

Goldilocks returned to Silicon Valley. With her \$5 million she bought a one bedroom condo in Oakland. She never did figure out how much Peter Pencil Knotting got paid for sending her company to the bears.

**MORAL OF THE STORY: There's only one reason all those fine people show up at the closing of your deal. Some of it's spelled out in the fine print.**



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Chicken Little

Olaf went into the office early one Monday morning to get a jump on the annual budget. This would be the year the company hit its targets and he was going to be a key part of it. He would be at the top of the heap. But, **SUDDENLY** his whole world changed.



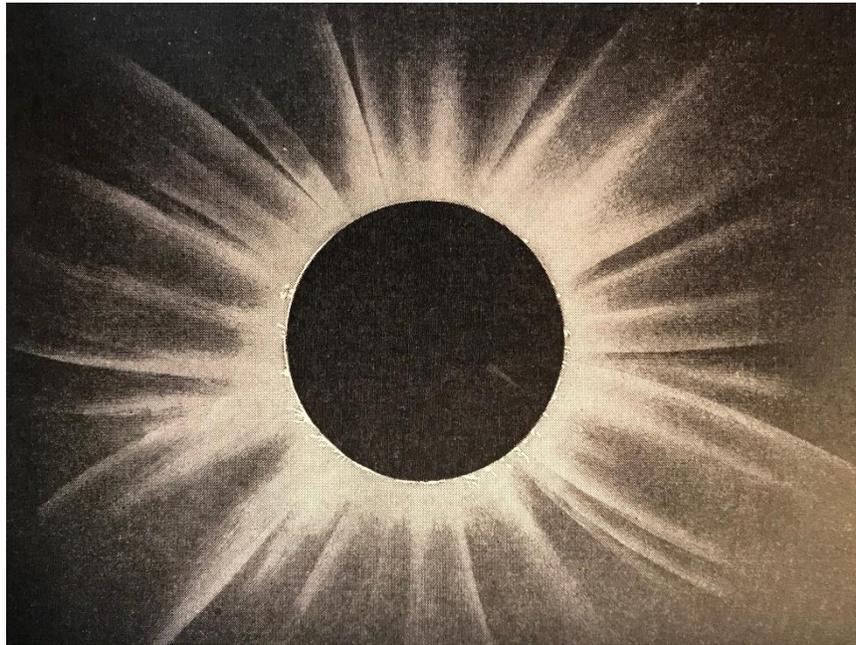
Suddenly his whole world changed



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Olaf was hard at work when the news broke at 0700. The company had agreed TO BE ACQUIRED IN A LEVERAGED BUYOUT BY A PRIVATE EQUITY FUND! Olaf knew what that meant: new bosses would come in. They would fire the staff and saddle the business with debt. The company would go through a total eclipse.



**A total eclipse**

But Olaf was a fighter and a winner. He decided to go ahead full speed on his budget anyway. He was going to be among the staff that the new owners kept, and he was going to be at the top of that heap.

At 0830, the division began to fill up. It was clear that everyone had heard the news by then, and had come in early to defend their positions. Rumors blew like the wind across the tops of the cubicles. There was a roar like the ocean, with swelling and ebbing as each new rumor blew salt and spray over the upturned faces bobbing in the waves. Colleagues would turn white and then blue and then disappear



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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into their cubicles to tabulate personal savings and generate resumes. Lunch began at 1100 and the division was empty by noon.

Olaf paid no attention to any of this. But as he put his head down and redoubled his effort to finish, he felt an agitated presence approaching from across the division. There was only one person who could transmit agitation at 50 paces away: his colleague, the other unit manager, Otto "Chick" Little.

"Olaf, I'm glad I bumped into you...."

"I'd really love to talk, Chick, but I'm in a rush. Can we talk tomorrow morning?"

"Normally it could wait, but this is important...I need you to come with me to see the Big Boss." The Big Boss Executive Vice President (EVP) S. Pickering Dreadnaught.

"Why? What's wrong?"



I need you to come with me to see the Big Boss

"Olaf. There has been a MASSIVE CORPORATE SECURITY BREACH! The company is at mission-critical risk! You must tell no one! TOP SECRET!!"



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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Olaf was pretty sure that this was just another one of Chick's regular red alerts over something of absolutely no importance.

"Why me?"

"You know what our policy says about security leaks! We have to report them immediately! And you're the only one I can trust! And the Big Boss likes you. We have to bring the matter to him right now... We gotta move on this... I'm really worried..."

Olaf reluctantly closed his laptop. He more or less had finished and new the outlines of the budget. He could be the first to present a winning budget to new management.

"Ok, Chick. Let's go."

When they got to EVP Dreadnaught's office, the nameplate had been changed. They went in to see what the story was.

EVP Dreadnaught's 22 year old secretary, Ingrid, wasn't there, and all of his potted plants and Chinese tapestries were gone.

"Drat! Lunchtime probably, Olaf!"

"Well, Chick, why don't we come back after lunch?"

Just then the door to the EVP's inner office opened and Ingrid came striding out. She strode right past Chick and Olaf and out the door with not so much as a look at them.

As Chick and Olaf got up to go, the inner door opened again and out stepped the new EVP, struggling to get one of his gold cufflinks back on. Without looking up, he said:



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"Hi. I'm Peter Bunch. The New EVP. What d'ya got?"

"Sir, I'm Otto Little, Production Division. Unit Manager West. There's a critical security breach."

"WTF?"

"This week's passwords to the automated group filing system, Sir!! Somebody left a Top Secret copy on the copy machine. I'm really worried that our files can be stolen by our competition!!!"

"You're fired! Get the HELL out of the building! NOW!"



EVP Peter Bunch Gives Chicken Little the Heave-Ho



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Chick leaped backward and scrambled down the hall, gasping, scraping his elbows and knees on the walls, teeth chattering all the way into the elevator.

Turning to Olaf, EVP Bunch demanded:

"Whoer you?"

"I'm Olaf. Unit Manager East. Top performer in the Production Division."

"And, so...?"

"I just did next year's budget. 20% increase in revenue, 50% increase in profit."

"Stick around."

Olaf stuck around. Bunch made him Unit Manager East AND West.

Over the next 12 months Olaf was able to fire the rest of the staff, while establishing a full-fledged virtual training program for their replacements.

Their replacements were in Guadalajara. Mexico.

At the end of the year EVP Peter Bunch moved Production to Guadalajara, and sent Olaf there to keep up the good work.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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*Olaf in Guadalajara*

**MORAL OF THE STORY:** Keep your eye on the budget.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Rumpelstiltskin

Bettina Buchanan was one of the most respected executives in banking when she got the call. A huge independent oil producer, Fumar Petroleum, had just fired their CEO and they wanted her to come interview for the job. The descendant of a US President, three senators and ten CEOs, she brought with her history, credibility and a personal fortune of over \$100 million. Fumar Petroleum wanted her for another reason that they didn't tell her about: they were facing increasing litigation over carbon monoxide emissions and they wanted to put forward a soft, sophisticated and concerned face to the juries when they got taken to court. Electing a prominent woman like Bettina would do the trick. The fact that she had so many friends in Washington closed the deal.



She had so many friends in Washington



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Bettina had put career ahead of personal life to get where she was. This was the first opportunity to be the CEO of a Fortune 500 company and she wasn't going to blow it. She knew that from the minute she started, she would need to study the people, the plants and equipment, the operations and the financials deeply and diligently in order to keep ahead of any bad news.

It took her only a month to get the first whiff of bad news. One of Fumar's plants was spewing toxic waste into Lake Erie. It had been going on for five years. No one could figure out how to stop the flow profitably. A month after that, the chief accountant told her secretly that their oil and gas reserves were worth less than half of what they were reported to be. And right after that, Bettina's chief counsel said that she was going to have to represent Fumar at the Congressional hearings on climate change. Fumar Petroleum was one of the biggest generators of carbon monoxide in the hemisphere, and was still burning it all off at will. Bettina asked what prompted the hearings, and the chief counsel told her that the hearings had been in the works for two years. Then one of Fumar's ancient Panamanian tankers ran aground and broke up with a full load in the Houston Ship Channel. It blocked the channel for a week while authorities tried to clean it up with fire retardant. The dead shrimp washed up on Galveston.



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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It was at this point that Bettina realized she'd been had. The Board of Fumar had sold her a bill of goods to get her to bring her reputation in to clean up their mess, and now she was stuck. If she stayed she was going to be the face of Fumar and would be blamed for everything. If she resigned, the Board would say things were fine before she came—and she'd also be blamed for everything. She'd never get to be a CEO of a Fortune 500 company ever again.



**The Board of Fumar had sold her a bill of goods**

Fortunately, Bettina had a trusted advisor—her uncle, Uncle Frank, who was chairman of the world's biggest investment bank, Swiss Black Sachs. "I know just the person to fix it. Rumpelstiltskin. Forensic



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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accountant. Works miracles. Totally discreet. We've used him for years."

So, Bettina took a week vacation and went down to Grand Cayman to meet Rumpelstiltskin. He had told Uncle Frank he would work out a strategy to save Fumar—and her job. They met at Rumpelstiltskin's secure fifty room bungalow at the St. Francis-of-the-Poor country club on Rum Point Drive.

Bettina was shocked at how laughably hideous Rumpelstiltskin was, what with his warts, wrinkles, balding head, spindly legs, and paunch - all pasted crookedly on an aging 4 foot frame. The fact that his orange and white pin-striped double-breasted suit with ascot was 100% polyester—simply put the whole package way over the top.



The whole Rumpelstiltskin package was just way over the top.



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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By the fifth day of the visit, however, Bettina knew Uncle Frank was right about Rumpelstiltskin—he could work miracles. He had gone through all the Fumar product lines, every report, every balance sheet, every scrap of media and all the litigation. And he had developed a plan.

On the sixth day, it was time to present the plan. But Rumpelstiltskin wouldn't present them until Bettina made him a promise: "If I solve this for you, you must agree to two things: Number 1, you have to marry me. You are the smartest, classiest and most beautiful woman I've ever met. I've been waiting for you my whole life. Number 2, you have to make me CFO of Fubar, so that I can be near you all day long as well as all night. That's the one major condition of marriage—we must be together all day and all night."

Bettina almost laughed out loud. But she caught herself just in time. Full stop. Here was an offer of marriage. She thought about the five or six men she'd known and loved down through the years. There wasn't a single one of them who was smarter than she—at least not one who could hold down a reasonable job. They were all bohemians or professors. The others could make money, but didn't have a thought worth noting or a sensibility worth detecting. Here was a guy who was brilliant and also passionately in love with her. And he obviously had money too. The key thing: if Uncle Frank liked him, he knew everybody who was anybody.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Rumplestiltskin presents the two conditions for saving Bettina

Then she had to consider the issues of saving her reputation, her job and the company. She was now sure that he had a strategy that would work. She was also sure he wouldn't help unless she promised to marry him and make him CFO. She agreed to the conditions.

When Bettina Buchanan returned from Grand Cayman, she brought Rumplestiltskin with her and made him CFO. He began implementing the plan right away. All of the open liabilities were settled in court at pennies on the dollar. All the operations that were polluting were sold to offshore LLCs and the sales counted as revenue. The oil and gas reserves were revalued, and the moneys that had been set aside for legal liabilities were reversed and counted as income. Because he knew more about accounting than anyone in the world, the company accountants believed everything Rumplestiltskin did was correct. They signed off on the financials and the very next day, FUMAR's stock went right through the roof.

But Rumplestiltskin didn't stop there. He phoned up Uncle Frank, and over the next month Swiss Black Sachs negotiated the sale of Fumar to a conglomerate in Scotland, Angus Poot, Ltd. Angus Poot wanted to expand into the oil and gas business.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Rumplestiltskin's plan was done. Bettina had been saved! And so had Fumar! It was time for Rumplestiltskin to get paid. He came up to the 60<sup>th</sup> floor where the CEO's offices. "Bettina, my dearest, my love, it is now time for us to arrange our marriage."

Bettina's response floored the little man. "I don't think we can. We aren't going to be working for the same company, anymore."

"YES WE ARE! You're working for Angus Poot and so am I! They were so impressed with our turnaround of Fumar, they've asked us to stay on as CEO and CFO! I made sure of it! We will be together 24 hours a day!"

"Rump, we've worked so hard together and I love you dearly. But I am now CEO of a privately owned Quaker bread baking company in Bethlehem ... Pennsylvania."

"I will become CFO there!"

"They have strict God-given rules against nepotism. Family members and people who are married can't work for the same company."

Rumplestiltskin turned red, screamed with rage, ran to the window and jumped out. He didn't fall though. Instead he sprouted wings and flew away.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Rumpelstiltskin flies into a rage and then out the 60<sup>th</sup> floor window.

Three months later Angus Poot lost \$10 billion in its oil and gas business. They filed for bankruptcy. Swiss Black Sachs was hired by the receiver to sell the assets.

**MORAL OF THE STORY:** A deal is a deal except when it's not.



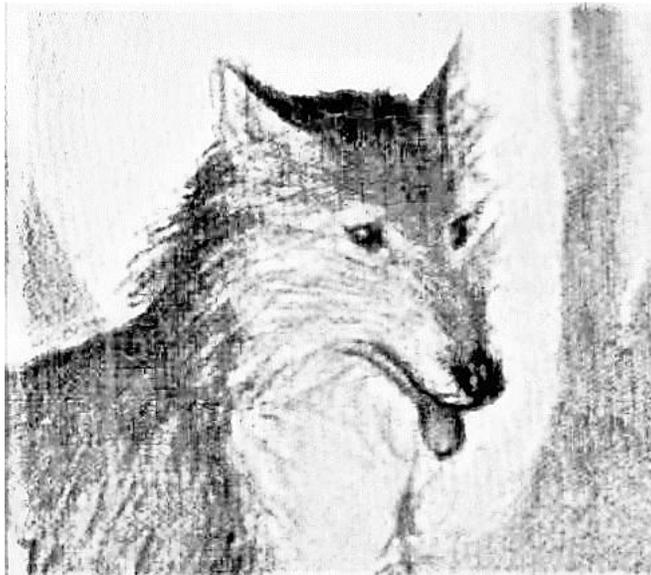
# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Little Red Riding Hood

After working in business for 30 years with no break, Little Red Riding Hood finally had enough money to invest in the markets. She realized that she didn't understand personal finance well enough to create an investment portfolio so she decided to seek the help of an advisor.

Her mother recommended Big Bob Wolf Jr. The first Big Bob Wolf had managed a bank branch where Mom had worked when a young secretary. Her savings and checking accounts were still there although the bank had merged eight times. Mom had heard from a teller when she cashed her check—Mom didn't trust ATM machines—that the son of the old bank manager led a thriving financial advisory practice.



**Big Bob Wolf Jr. ran a thriving financial advisory practice**

Mom phoned Little Red on her landline. "Little Red, honey, just remember that you must be cautious. You'll need your money to take you through retirement. After all, you aren't married."



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Little Red immediately made an appointment with Mr. Big Bob Wolf Jr. She explained that she wanted a balanced and limited risk portfolio.



**"I want a balanced and limited risk portfolio"**

"Well, Little Red, I normally require \$1 million in investable cash, but I'll make an exception for you because of our family connections ..... And have I got a terrific plan for growing your \$250K!"



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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Wolf then handed her a spreadsheet filled with puts and calls, pork belly futures, interest rate options, junk bonds, mortgaged-backed securities and Zimbabwe T-bills.

Little Red gasped. "But Mr. Big Bob, what big risks I'll be taking! This is all the money I have!"

"Listen, Little Red, you have to take risk to get a reward."

"But, Mr. Big Bob, I need my money for retirement. I can't gamble with it. My company doesn't have a pension plan and they just stopped matching 401K contributions."

"Look, Little Red, no problema! When the portfolio rises 20%, we'll sell it all and buy governments. Totally safe. This is a bull market that still has legs. I've heard so from the Wall Street analysts on morning TV."

Little Red accepted Big Bob Wolf Jr's recommendations. That was in 2006.

By 2008, Little Red's portfolio value had plummeted to \$125K. Big Bob Wolf's stock strategies had eaten up half of her investments. And that was before he took his cut. After his fees, her savings were worth \$75k.

Big Bob told Little Red that he felt absolutely terrible about it all. He said he would find a way to make it up to her: "Annuities! The highest and safest yield you can get!" declared Big Bob. "10% annually! We can build your retirement income right back up to where it would have been. Only take about ten years—or so—with no risk!"

Little Red Riding Hood thought that annuities sounded so much better than stocks, because stocks are risky. So she let Big Bob invest all



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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that remained of her savings in an annuity with a well-known life insurance company.



**So she let Big Bob invest all that remained of her savings**

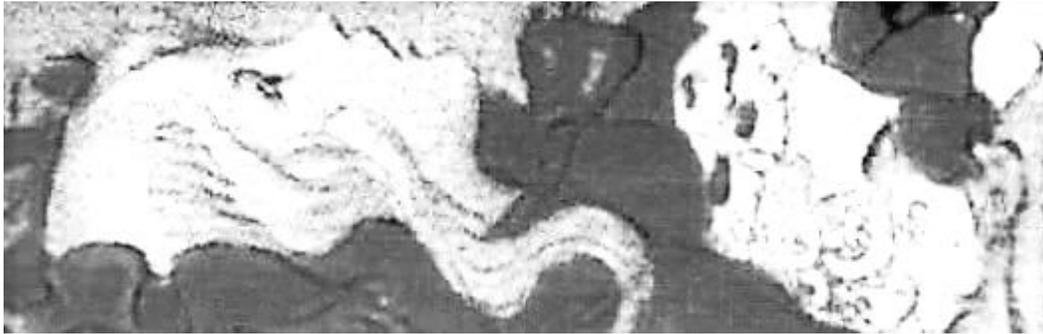
In 2014, when sanctions were imposed against Russia, the insurance company went bankrupt.

Since all she had to show for the annuity was a contract—the insurance company never provided statements—she couldn't prove how much money of hers they still had. So all of her savings went up in smoke.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

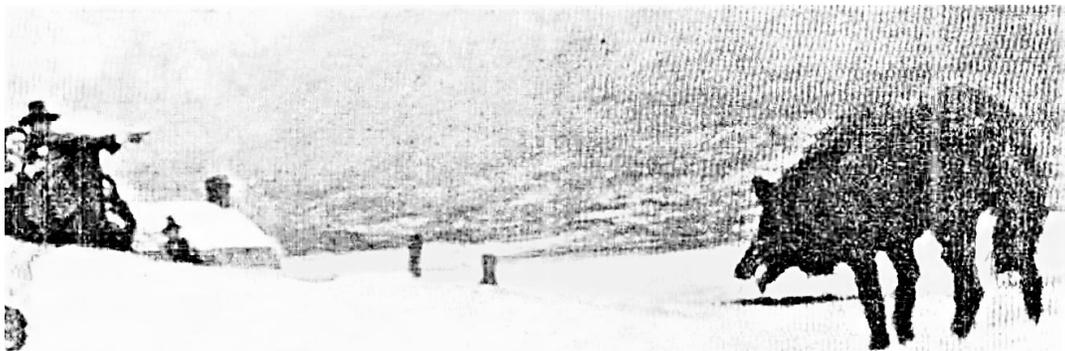
36



**So all of her savings went up in smoke**

But there was good news. Mom had lost nothing; she was entirely in cash the whole time, and she still had the house debt-free. So, Mom revised her will to leave the house to Little Red.

If Little Red is thrifty, takes care of her mom, rents rooms out on AIR BNB, and doesn't get sick, she should be able to retire on Social Security at age 85.



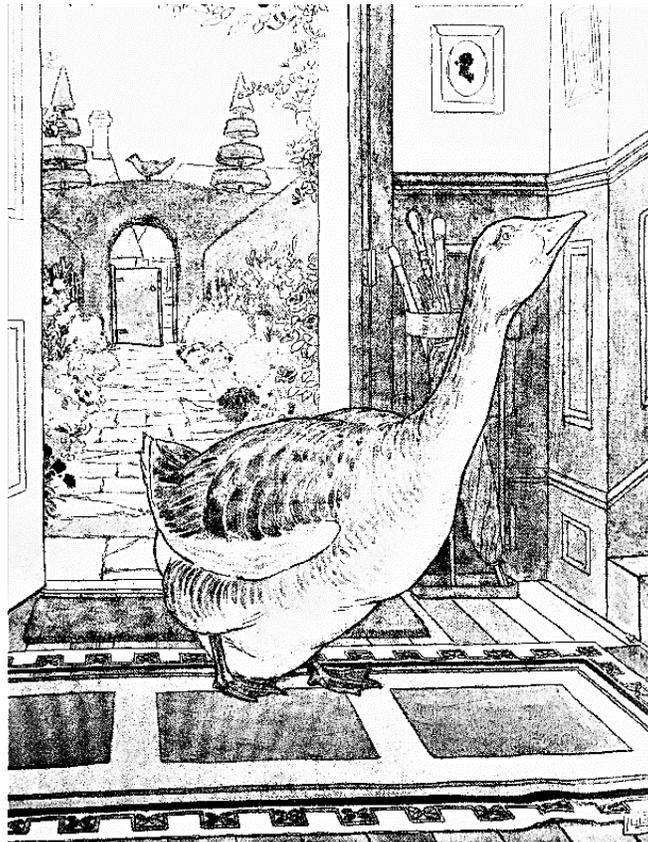
**She should be able to retire on Social Security by the age of 85, if she doesn't get sick**



## The Goose that Laid the Golden Eggs

Jim Gander's marketing efforts were about to pay off. He had been assigned a large yet underperforming territory four years ago. Jim's extensive sales experience and hard work enabled him to gain the customers' trust after years of benign neglect from his predecessor.

An important client had just invited Jim to Chicago to discuss a confidential project that could mean a major order for Jim's company. Jim gave his boss, SVP Benjamin Bigge, the good news.



Jim Gander in the hunt for the business



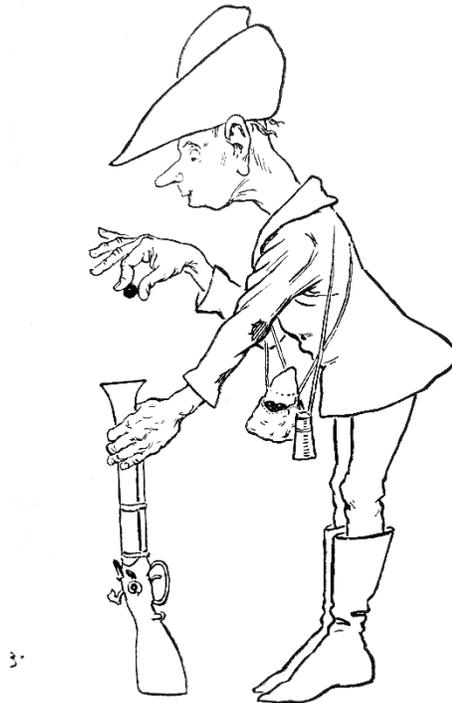
# HANS ARTHUR ANDERSEN'S FAIRY TALES

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"That's super, Jim. We've really cranked for a long time to reel this one in."

"Yes, we should be pleased, Boss. My flight is on Tuesday."

"Um, Jim, I'd like you to take Bob Lamb with you."



**The Boss loads**

"Boss, I'm always happy to train our new MBA hires. You know that. But this client wants to talk about a confidential project. He may not open up in front of a guy he's never met."

SVP Benjamin Bigge responded, "Well, uh, you're going to tell him that Bob will be handling his account from now on. Jim, I want you to give all your customers to Bob. But for a terrific reason! You have done an amazing job with the Midwest territory. So amazing that we want you



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to turn over your book of business to a more junior officer. He can babysit your customers and, y'know, milk them. Now that they are house accounts. We need you to go out and expand the territory."



**The Boss in the hunt for cost savings**

"I don't know what to say. What does this mean for me? About me?"

"Only good things! This is a compliment for you. A vote of confidence. We're sure that you can work your magic with new companies in a new territory: the Mississippi delta—we don't have anything there! You're the only one on the team we all thought who could do it!"



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Jim had no choice but to accept the situation; the job market was weak. During a business trip to Biloxi, he got an email from his boss with the budget for his new clients. Jim was horrified to see that he was expected to bring in as much revenue from small prospects in Mississippi as he brought in from an established base of large customers in places like St. Louis, Chicago, Milwaukee, and Minneapolis.

Jim couldn't possibly meet this budget. And he didn't. He was fired at the end of the year. Because he was fired for cause—not meeting budget—he was denied severance. It saved the division about \$75k—about 1% of the operating budget.



**The Boss bags the high cost staff**



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Bob Lamb was too inexperienced to manage Jim's former clients as well as Jim had. Revenues fell 8% in the first year. By the end of the second year, the division's client base had shrunk by 40%. Profit dropped by \$12 million.

Not all the outcomes were bad. By the time the client base shrunk, SVP Benjamin Bigge had already been promoted to EVP. He had been promoted for his strategic vision. He had figured out how to replace senior executives with junior, cheaper ones. And all this without paying severance.

**MORAL OF THE STORY:** Since future revenues are harder to quantify than present costs, talent and experience will get the axe every time.

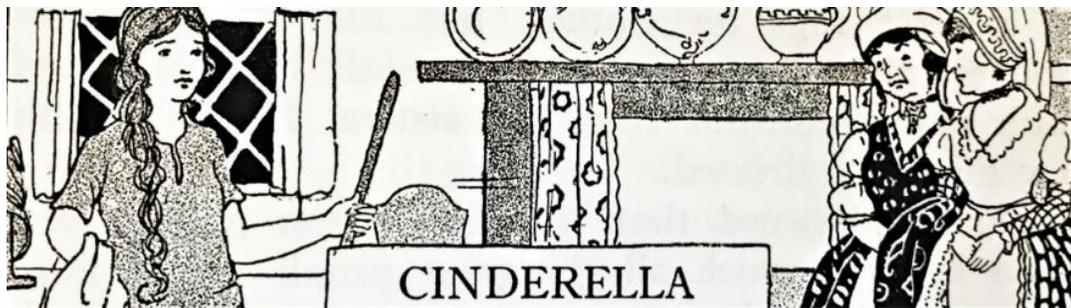


# HANS ARTHUR ANDERSEN'S FAIRY TALES

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## Cinderella

Cinderella was a new financial analyst at a big commercial bank, straight out of college. She worked with 75 other analysts at long tables in windowless, airless rooms 6 days a week for 16 hours each day, spreading company financial statements and doing projections. She rested on Sunday but checked her work email hourly.



Cinderella rarely got any guidance from the three associates who managed the analyst pool. They were dismissive whenever she asked a question. So Cinderella was left to learn finance and accounting on the job. Nonetheless, multi-billion dollar deals were pitched to investors based on the numbers that she and other analysts crunched. The three associates pretended to check her work.

Cinderella never got to speak to the Vice President of the financial analysis division: when the VP needed answers, she asked the associates, and they in turn, asked Cinderella and the other 75 analysts.

Two weeks before Christmas every year, the bank hosted a Gala Black Tie Ball for the Junk Bond Market (JBM) at the Ritz. Only the 1,000 or so senior executives were invited to attend. This year the bank had hired over-the-top entertainment, including a comedian, a magician, a world class rock band and Cirque du Soleil, so everyone wanted to go.



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However, because there was a massive ice storm descending on New York the day of the JBM Ball, guests started cancelling out. And senior executives started cancelling out too.

So late in the afternoon on the day of the Ball, the CEO made attendance mandatory for all 2,000 mid-level managers, including the Vice President of Cinderella's division. Cancelling was not an option.

The Vice President, however, wanted to spend time with her toddler that evening, and so she assigned the three associates to figure out which one of them would go to the ball in her place.

The three associates determined that Cinderella would go in her place.

Cinderella was stunned. She didn't have time to go to the Ball. The associates had already assigned her a whole set of projections that would take at least four hours to finish. The projections were due to the Vice President by midnight. They were due at midnight so she could read them in her limo the next morning on the way to work.

"Finish those projections by midnight," the Vice President had told the associates, "They need to be done before I go to bed. No pressure. I'll be up until 12:30."

So the chief associate told Cinderella, "Everybody else has assignments tonight too." And then he said, "Look, this is your big opportunity to step up for the boss."

And the chief deputy associate said, "We're giving you the opportunity because you're the fastest and most accurate." And then, he added, "I know you'll find a way to get it done."



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And the junior associate said, "If you skip out at eight, no one will notice—get back to the bank by 8:30 and you'll have four hours to get it done." And then she said, "Plenty of time!"

"But I don't have any formal clothes!" Cinderella pleaded. She sure didn't. Her paycheck barely covered her rent, her food and her student loan payments. Party clothes were out of the question.

"No problem," the chief associate said. "The VP said we could use her things for the Ball—gowns, shoes, overcoat--she keeps them in the Gucci Armoire in her office."

So the junior associate took Cinderella up to the VP's Gucci Armoire to see what they could find. She grabbed a Givenchy gown and Jimmy Choo heels and gave them to Cinderella to try on. They were too big but there was no choice. They used cotton and safety pins to make it all fit.



They used cotton and safety pins to make shoes and gown fit



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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Suddenly, Cinderella was swept by panic, "But how can I take the subway in a formal gown?!!!" The junior associate replied, "No need. The VP said they've arranged for 100 limos to ferry everyone to the Ball. We will bill the limos to the clients. Limos leave at six, in time for cocktails."

The junior associate also made Cinderella promise to spread the word during cocktails that the VP had a conflicting conference call with Tokyo that night on a Big Deal.

Cinderella was assigned to a table at the back of the ballroom with five associates from other divisions. The sleeves of her borrowed black dress were folded up. She hoped the safety pins in her silk hems didn't show. The two clients at the table were Japanese and couldn't speak English. Cinderella didn't order the spaghetti that she really wanted because it would be awkward to eat. What if she had to suck up a strand? Everyone chewed in silence while an economist at the podium droned on about interest rate curves. The five associates were holding their smartphones below the level of the table cloth so that they could follow their instagrams.

As a ventriloquist took the stage, Cinderella looked at her watch. It was 8:00! Time to go! If she got back to the office by 8:30 she could finish the Vice President's projections by the drop-dead time of 12:30!

As she got up from the table and excused herself, a dashing young man in a rush bumped into her from behind. He was furious! But then as he looked at her, his tone changed. He saw how beautiful she was in her silks. He turned to the associate who was sitting next to her and told him to find another table. The associate turned white, trembled and stumbled out of the chair. The dashing young man was Billington Frappe III, the EVP of Communications, and a cousin of the CEO.



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Cinderella had heard of him. He had a yacht and a helicopter, and he dated movie stars.

Billington Frappe III sat there regaling the Japanese clients with stories about his world travels for the next hour. The Japanese laughed and pretended to understand him while everyone else at the table sat bolt upright at attention, including Cinderella.

Cinderella realized she would not be able to get the projections done by 12:30am, the drop-dead time for the Vice President. All was not lost though. She knew that the Vice President wouldn't get the bank until 8 the next morning, so as long as she got to the bank by 4am at the latest, she'd have the four hours needed to get the whole project done. "The Vice President will surely give me a break for having attended the Ball in her place!" Cinderella thought.

Over the next hour, the economist, the comedian and the magician finished. At 9 pm Cirque du Soleil did its show, and at 10:30 it was time to rock! Billington Frappe III, a magnum of champagne in hand, swept Cinderella off to the dance floor. He was so charming—there was no way to refuse!

And she was so happy she didn't! Billington was so handsome and wonderful—and how astonishingly graceful and tender he was! She felt she might be falling in love. Clearly he was in love with HER!

It was 2 am when Frappe III snagged a third magnum of champagne for the two of them. And as he poured, he leaned close to her and whispered, "I have the keys to the penthouse. Shall we go there? We can watch the ice storm together."

Cinderella was sure now she was in love. But she knew that if they went up there, she wouldn't be able to get back to the bank by 4am and finish the projections.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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**"I have the keys to the penthouse. We can watch the ice storm from there"**

So, looking away and hoping he wouldn't get angry or disappointed, she told Billington, "I would love to! You are so wonderful! But I can't. I have to get back to the bank!!"

Billington's jaw dropped. She could see dark purple sparks of fury clouding his eyes. She panicked. Before he could say anything else, she turned and fled out of the Ballroom. As she rushed out the main doors, one of her stiletto heels caught on the corridor rug and broke off. She stooped to pick it up, but when she looked back she caught a glimpse of B. Frappe III kicking and pushing his way through the crowd, coming right after her.



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She broke the grand corridor, silks billowing. As she ran she heard a loud crash. B. Frappe III had tripped on the same rug she'd left her stiletto heel in. He had flown headlong into the glass shelves of the flower stand. Cinderella didn't stop. She raced out the revolving doors of the Ritz and into the ice storm on Park Avenue.

It was 2:15 am. Since it was raining, there were no taxis. Since the rain was ice there were no Ubers. That didn't bother her; she didn't have the money anyway. So she ran to the nearest subway.

There's a problem with subways in the wee hours: there is always construction going on. And fewer trains are running.

Cinderella finally made it into the bank at 3:30 am—WHEW! Still time enough to get it all done by 8am, when the Vice President would arrive.

But when Cinderella hobbled into the lobby of the Bank's headquarters, the night security guard told her she couldn't come in. She was stunned! Was it her champagne breath? She HAD to come in! The whole project was on her laptop upstairs! And she had to return the Vice President's clothes! And take the safety pins out! Plus, she had to snatch her own clothes back out of the Gucci Armoire!

"Why can't I go up?!!" she almost screamed. She wanted to cry.

The night security guard reminded her of the new directive the CEO had issued that very week: "In order to provide work/life balance, analysts are not allowed in the building between midnight and 6am on week days."

It would take Cinderella at least an hour to get home and another hour to get back to the bank by 6am. She would only get a half hour of sleep, and the projections wouldn't get done anyway. So she went over to the Trade Center in her silk gown and busted high heels and sat



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down at the 24 hour McDonalds. She knew she was safe: B. Frappe III would never look for her there. She drank coffee until the bank opened at 6am.

The Vice President arrived at 7am, while Cinderella was still in her office changing clothes and removing the safety pins from the silk evening gown.

The Vice President had come in early because the projections hadn't been sent last night, and she darn well wanted to know who was responsible.

But the moment she saw the broken heel from her Jimmy Choo, she forgot all about the projections, "Who in the hell are you, what are you doing in here, and what did you do to my shoe?"

Cinderella felt so bad about breaking the shoe, she couldn't think of anything to say. So the Vice President fired her on the spot, "Whoever the hell you are, get your things and GET OUT! You're DONE!"

As Cinderella fled to her cubicle to gather up her belongings, the dashing young Billington Frappe III came bounding up the corridor.

Billington was still wearing his tux, his scarf and his cashmere, and was weaving dizzily from one side of the hall to the other. With one arm outstretched in front, he held up the stiletto heel that had broken off the Vice President's shoe. He was holding it as if it were some sort of flashlight.

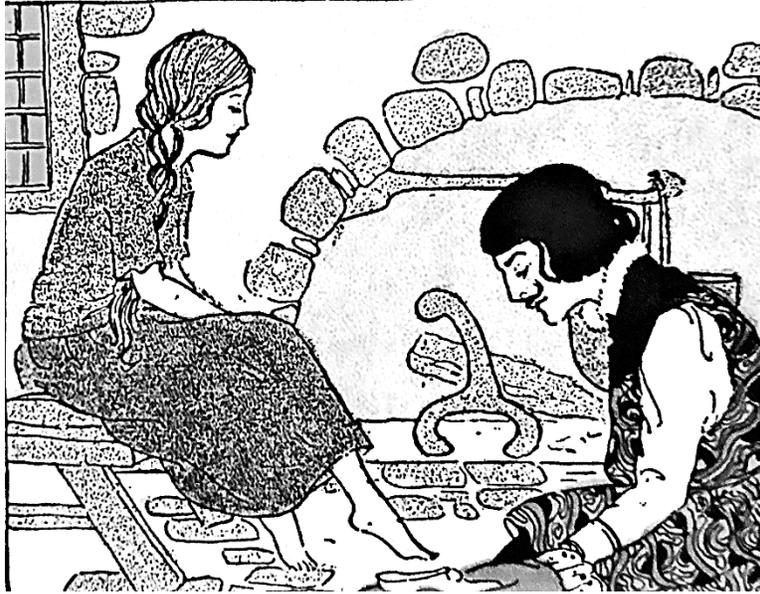
Hearing the ruckus, the Vice President emerged from her office, "Why Mr. Frappe! So very happy you have come to our offices!"



## HANS ARTHUR ANDERSEN'S FAIRY TALES

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"I'm looking for a woman—an analyst or an associate or something—who works in this division. I've been searching all over the East Side. I have part of her shoe. There's ice outside. She needs this part of the shoe to go home."



**"I've been searching all over the East Side!"**

The Vice President took a hard quick look at the heel in his outstretched hand. Cinderella could see the calculations going on in her head. Clearly the Vice President knew all about Frappe. Was it her time to take a chance? The Vice President slowly generated a blush. Softly and very sweetly she enunciated, "Why Mr. Frappe, that belongs to my shoe, please do come into my office? Let's see if, together, we can get it back on."

Hit by a bullet! Suddenly, Mr. Billington Frappe III, stopped wobbling and stood back, stock still. He rubbed his eyes and struggled to focus. He tried to get a better view of the Vice President. He looked at her from the left, and then from the right, and then from up and then



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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down. Finally, he lowered the arm holding the heel, and just stood there shaking his head and looking at her in a daze.

Cinderella could see the storm clouds coming together just above the Vice President's plucked eyebrows. She dropped her head below the cubicle wall.

The Vice President then took B. Frappe III's hand, and patting it, gently removed the heel. Then she said through clenched teeth, "Thank-you so very very much Mr. Frappe! It's so great to have you come see us. Can we get you a cup of coffee? Would you like some assistance getting back to the Boardroom?"

"Naaaah," said Billington Frappe III, waving her away with his now empty hand. He turned and weaved his way back down the corridor.

Moments later, as Cinderella slinked out to the elevators, she overheard the Vice President's secretary rescheduling the meeting with the company she was supposed to do the projections for. They would meet tomorrow instead of today.

Cinderella is now a gate agent at Denver International Airport and is dating a snowboard instructor. She finally has work/life balance and is living happily ever after.

**MORAL OF THE STORY: There is no Prince Charming at work.**



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## The Emperor's New Clothes

It was time that Alexander Bottoms Capet (ABC) took a victory lap. Finally, in his 7<sup>th</sup> year as CEO of MAJOR NATIONWIDE TOOL (MNT), he had succeeded in getting ball bearing contracts with every major auto manufacturer in North America. But even more important, the company's stock price had tripled, and it had over \$3 billion just sitting there in the bank. CEO ABC was on the front cover of every business magazine and was a big hit across business cable news for a number of months.



**ABC was on the front cover of every major business magazine**

For CEO ABC, it was time to figure out how to use that \$3 billion to leapfrog the competition, and get contracts with all of the major auto manufacturers around the globe. So his senior management team spent six months searching for excellence. They came back with 5 major options: (1) invest in Research and Development in order to create a super ball bearing; (2) invest in modern plant and equipment in order to reduce the cost of production; (3) increase compensation in order to upgrade the workforce and get better operating efficiencies; (4) buy a competitor; and (5) pay off debt and fully fund the

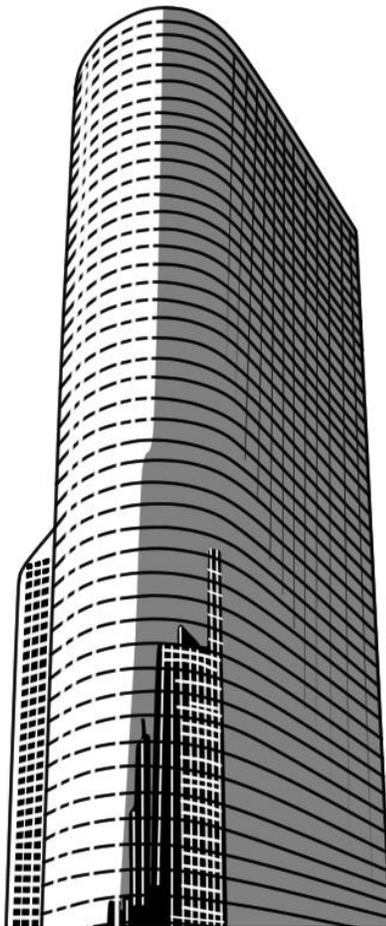


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pension plan. There was a sixth option too: CEO ABC could mix and match the options doing a little with some options and a lot with others.

But CEO ABC had another option: build a new headquarters building that would be the tallest in Cincinnati. Having a dominant headquarters building would declare MNT superiority in the manufacture of ball bearings and secure MNT's place at the top of its industry. It would be 70 stories high, and anchor the Alexander Bottoms Capet Plaza and Esplanade in the center of the city. You would be able to see it from Pittsburgh.



The best way to build a presence overseas: construct a new  
Headquarters building



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The skyscraper would also dramatically increase global business because it would remind the whole world that CEO ABC was actually—in fact!—a distant descendant of a relative of the kings and queens of France (Capet). CEO ABC declared this marketing strategy to be an essential part of going global: "Royalty provides the kind of authority that gives confidence to the new international customer." CEO's senior executive team loved the idea, and so did the Board of Directors, all of whom lived in Cincinnati.

So CEO ABC began improving the Major National Tool presence overseas while improving the Cincinnati skyline. He got the best architects in the world, the best furniture, the best interior decorators, the best artwork to cover the walls, and the latest in information technology equipment. Also the most up-to-date athletic facilities so his employees could keep in shape. It took 3 years to build and cost \$10 billion.



The best architects in the world



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Six months before completion, CEO ABC commissioned a Grand Formal Ball to celebrate the opening of this great monument to the success and international dominance of Major Nationwide Tool.

As luck would have it though, it was right about then that events started going the other way. Their accountant said the MNT pension funds were so under-funded that there wasn't enough money to distribute to pensioners, and the company should inject \$2 billion right away. There was a strike over health benefits. A major American customer switched to a Korean ball bearing manufacturer who was producing better ball bearings at a lower price. There was a major recall of ball bearings from a new Italian auto manufacturing customer. And the rating agencies downgraded the MNT debt, because now there was way too much of it. In the six months leading up to the Grand Formal Ball, the Major Nationwide Tool stock dropped like a piano.

Investors started calling for CEO ABC to be fired. And despite ABC's virulent public defense of his performance, the Board of Directors went into executive session and secretly agreed to fire him. They had to: either the court would come after him or it would come after them.

But there was a problem with getting rid of ABC: Major Nationwide Tool had spent \$10 million on the Grand Formal Ball that was to celebrate the opening of the great Alexander Bottoms Capet Plaza and Esplanade. The show must go on. ABC had to be there, and in order to be there he had to be CEO.

So the Board told CEO ABC that they would stand behind him all the way.

As Alexander Bottoms Capet strode—beaming—up the Great Corridor to the Grand Ballroom, the guests parted in front of him like a great wave. That's as he expected.

But what he didn't expect was the way everyone in the crowd was looking at him. It wasn't the look of respect, awe and admiration that he normally got.



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The eyes of everyone in the crowd were investigating him. He could feel their stares penetrating every inch of his body as he passed by. He started to wonder if his breath were bad or there was something wrong with his suit. He checked his zipper. But no, everything seemed to be properly in place.



He started to wonder if his breath were bad or there was something wrong with his suit

The Grand Ball was a huge success. The cuisine was exemplary, the speeches were short, the band was terrific, and the dancing went on until the wee wee hours of the morning. It was the best party EVER in Cincinnati.

Finally, at 2am Alexander Bottoms Capet and his wife, Dotty, got into his company limousine to go home. That's when he got the call from the Chairman of the Board. The Chairman told him he was fired effective immediately. So, finally, ABC got the message that everyone else had gotten at least a week before. He and Dotty had to get out of the company limo and walk the rest of the way home.

**MORAL OF THE STORY:** The package is not the same as the product: the product should sell itself. "Stick to the knitting"



## The Pied Piper of Hamelin

Buck Slicer just loved making mortgages! If somebody in town wanted to buy a house, Buck would lend the money at 10% for 30 years. Since Buck had no money of his own he went out and borrowed it—from a bank. The money he borrowed cost 8% for 30 years. So he made a 2% profit on every mortgage he made for as long as he held onto it—so long as it didn't go delinquent.

But Buck didn't like holding on to mortgages. He didn't want to collect monthly payments from people for 30 years. He also didn't like having to pay all that interest to his bank. So he went to Wall Street to see if they could help. After they got done laughing, they told him that if he brought them 100 mortgages a month, they would buy them from him for cash. They would pay him a 2% fee no questions asked. So he got 2% and didn't have to take risk or collect payments or pay interest to a bank. Done deal.



**Buck sells his mortgages to Wall Street**

So Buck started gathering up mortgages and putting them all in one big bucket which he took to Wall Street every month.



# HANS ARTHUR ANDERSEN'S FAIRY TALES

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Wall Street

Pretty soon, Wall Street was begging him to bring more mortgages—and more and more. They said they would give him a 3% fee if he could double the number of mortgages he brought them. Buck couldn't figure out how they made any money on his 10% mortgages if they were giving him a 3% fee. But that wasn't his problem.

Buck's problem was: BANKS!. Most homebuyers got their mortgages from banks because banks had lower rates. Banks had lower rates because they didn't pay much for the deposits that funded the mortgages. Buck knew all about it because he'd started his career at a bank. He couldn't stand it: way too many rules, and they didn't pay much. Plus, the banks only lent money to people who had money. When Buck set up his own mortgage business he targeted customers who didn't have money—or at least not very much of it. So there was plenty of business back then.



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BUT NOT ANYMORE! Now every Tom, Dick and Harry was trying to do what Buck was doing—real estate agents, lawyers, appraisers, notary publics, high school soccer coaches, tax collectors—everybody wanted a piece of the action. By the time you heard from somebody the bank had rejected, there were already two or three other people lined up at the door ready to do a mortgage for the aspiring homebuyer. They all wanted their 3% fees too!



Every Tom, Dick and Harry goes to Wall Street to get a piece of the action

Then somebody invented a credit scoring system that generated automated credit analysis. It cut the cost of underwriting by 90%. It



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proved that even people who didn't have money were good credit risks. Since everybody wanted to make as many loans as they could, the new credit scoring system was perfect. This made even more people want to get into the business of making mortgages.

And then somebody invented an automated loan processing system that let you fill out a page loan application and approve it electronically in 10 minutes. This cut 90% of the cost of loan processing. Since it was high tech electronics, everyone was pretty sure it captured all the data that was needed to make sure it was a good loan. So even more people got into making mortgages.

And then somebody invented a way to approve mortgages on the internet so the borrower didn't have to make friends with the lender or even be who he or she says they were. This made it possible for thousands of more people to get into the business of making mortgages.

And then somebody invented the brokers opinion (B.O.) which cost \$10 and replaced the appraisal which cost \$300. So people who knew nothing about real estate could give an opinion about the value of a house.

And then 9/11 happened and the feds drove interest rates right down through the floor to make sure there wouldn't be a recession. Banks started paying less than  $\frac{1}{4}$ % on deposits and Wall Street paid even less than that on commercial paper. Mortgage rates also declined, dropping from 7% to 6% to 5% and then to 4%. The 10% mortgage was dead.

Buck knew he couldn't compete. So he went back to Wall Street and told them he couldn't deliver 100 mortgages a month. "No Problem, Buck! We've got a new way of doing things! It will blow the doors off! Here's the deal: you go out and make mortgages at 3%--yes 3%--and



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because the rates so low—even lower than banks!—you can charge an upfront fee of 5%—which they don't have to pay because it is part of the mortgage, and then you and us, we split that fee!"

Buck liked the sound of that a lot, but he couldn't understand how they could have a 3% rate—even the banks couldn't get that low. Wall Street told him, "It's EASY Bub. We don't borrow for 30 years. We only borrow for 90 days—and 90 day rates are, like, zero! So we are making 3% starting day one—in addition to our splitting the 5% fee."

Buck was amazed at the brilliance of this idea but he had a worry, "What if the rates on the mortgages go up after 90 days?" Wall Street had the answer: "That's not our problem. The rate on the mortgage is adjustable, so if interest rates go up, the homebuyer pays more. They can handle it—though—their credit score says so."

Buck thought that sounded pretty risky, "Who do you sell these mortgages to?" Wall Street laughed, "Our little secret. But before we sell them, we take all the buckets of mortgages to church for a laying on of hands. They are blessed there so people will buy them." That sold Buck, "OK, count me in."

But Wall Street had one more incentive they needed to state: "Buck— one more thing—with these you can multiply your deals ten times! That's because with rates this low everyone will want to refinance and take cash out to buy things!"



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## Cash-Out Refinance Adjustable Rate Mortgages—the New Rage

Wall Street was right. Within months, everyone was doing adjustable rate cash-out refis. The banks couldn't compete with people like Buck. And they were losing market share. The whole banking industry decided they had to go to Wall Street and set up a similar deal. When Fannie and Freddie Fed saw this, they decided that they had to go to Wall Street and do the same thing. They absolutely didn't want to be left behind.



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**Fannie, Freddie and the banks didn't want to be left behind. They got up and follow Tom, Dick and Harry to Wall Street**

Just as everyone got going, though, things started to change. Gas prices started rising. The Chairman of the Fed said credit card borrowing was too high and people must start paying more principal faster. Then the Fed increased interest rates—and all those adjustable rate mortgages adjusted upwards. Within months, everyone who was anyone was paying 50% more for expenses than what they'd budgeted. Mortgages all over the country started going delinquent and then foreclosures blew through the roof. The banks stopped lending. Fannie and Freddie failed. Widows and orphans all over the world didn't get paid on the bonds they'd bought—the ones that contained the buckets of adjustable rate mortgages. So they starved. Millions of homeowners were thrown out on the street. Buck and all of his competitors—Tom, Dick and Harry—went out of



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business. The game was over. Everything was headed to "hell in a hand-basket."



**Wall Street in free fall**

Things got so bad that everyone thought there was going to be another *Great Depression*.

Fortunately, though, the *Feds* figured out a way to avoid the *Great Depression*. They bailed out *Wall Street* with trillions of taxpayer dollars.



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**The Feds bail out Wall Street with a trillion dollar taxpayer funded handout**

**MORAL OF THE STORY:** If you aren't too big to fail, then you are too small to succeed.



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## Hansel and Gretel

Hansel and Gretel were unit managers because they were top performers in the sales department for five years in a row. They knew how to find customers, make the customers happy and keep them coming back for more. They were the best in the company at building the business.



**The top performers in the sales department**

Then one day the CEO, J. Brooking Clarke, hired the biggest consulting firm in the world: Pustule, Sever & Trappe (PST). J. Brooking Clarke wanted PST to tell him how to boost the company stock price.

Six months later, after thousands of hours of interviews and personnel tests, PST delivered a 500 page 3-Year plan that would double the stock price.



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The Plan declared that the way to double the stock price, was to stop losing money: "80% of your profits come from 20% of your customers. So put all your effort on that 20% and dump the other 80%--the ones who aren't profitable. That's how you double your stock price."



Hansel and Gretel take a look at PST's way to double the stock price

So J. Brooking Clarke implemented the plan, effective immediately.

Hansel and Gretel had a bad feeling about getting rid of 80% of their customers. They knew that, over time, they could make all of their customers profitable. Plus they had worked so hard to get them, and were sad to see them go.

But they believed in J. Brooking Clarke because he had promoted them. And J. Brooking Clarke believed in Pustule, Sever & Trappe. So Hansel & Gretel were at the front of the line at implementing the PST



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80/20 plan. Within six months they were rid of the 80 percenters in their customer base—all the ones who weren't very profitable.

But then the profitable 20 percenters started to disappear too. That's because J. Brooking Clarke instituted a customer tracking and analysis system that made everything you did with a customer take three times as long, which customers didn't like. And then he instituted price hikes to pay for it all.

As the departures of the profitable 20 percenters accelerated, managers of other units started taking profitable customers from Hansel and Gretel by changing customer IDs and rearranging sales territories.

Hansel and Gretel's colleagues spent so much time stealing other peoples' profitable customers, they didn't have time to get rid of their own 80 percenters. So they still had lots of customers.

At the end of the first year, company revenues had fallen off a cliff. The company had lost half of its profitable 20 percenters and half of its deadbeat 80 percenters.

But Hansel and Gretel were much worse off.

They had faithfully followed the PST 80/20 Plan and gotten rid of all of their 80 percenters effectively and efficiently.

Meanwhile their colleagues had effectively and efficiently stolen all of their 20 percenters—the ones who hadn't already left. So because Hansel and Gretel had faithfully followed the plan, they no customers.

So CEO J. Brooking Clarke fired them.



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As Hansel and Gretel got perp-walked out the lobby of company HQ, in walked the team from Pustule, Sever & Trappe.

J. Brooking Clarke had hired them to assist on an acquisition strategy.



The Return of the Consultants



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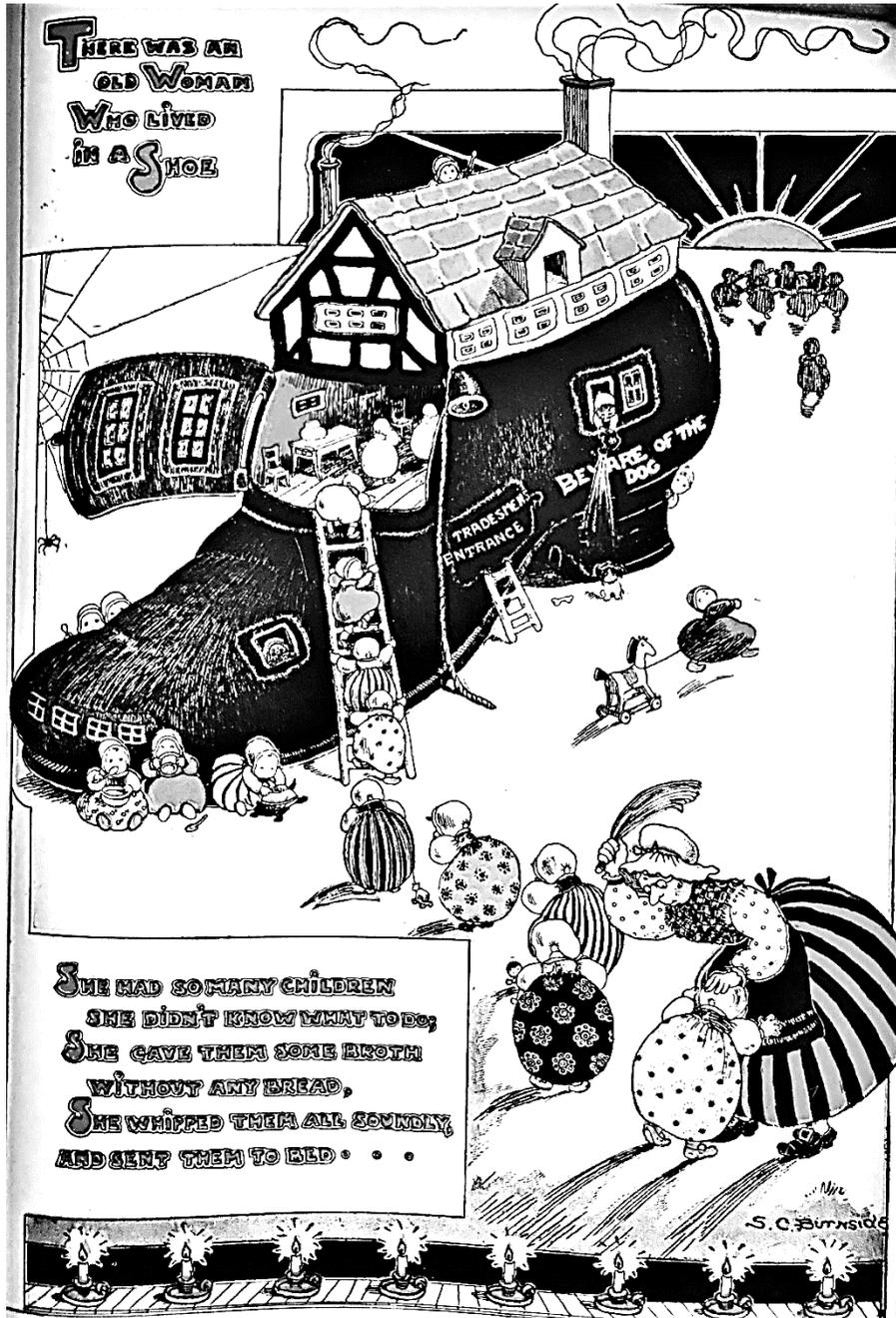


Hansel & Gretel get fired for faithfully following the CEO's plan

**MORAL OF THE STORY:** Become a consultant



The Old Woman Who Lived In A Shoe



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Jeff's boss, Senior Vice President Veronica Pfaff, came ram-rodding out of her office one Wednesday morning, and made a bee-line for Jeff's cubicle. "This is the new Roquefort deal. I want it analyzed and written up by close of business (COB) Friday." Then she ram-rodded herself back into her office and closed the door. Slam!

It was Wednesday, so Jeff had two full days to do a 7 day project. He knew he'd be a lot more productive if the company allowed middle managers like him to work from home at least one day a week. Or if they were given private offices like they used to have in the old days.

But no, offices were out, and OPEN SPACE—with its forests of cubicles—was in. To hear senior management—and Veronica Pfaff—talk about it, open space meant better communication, better oversight, project synergy, lean management, de-levelling, internet porn mitigation, team spirit, and better posture. But Jeff had been around long enough to know the real reason: they could fit 5 times as many people in the same square footage of office space—without increasing the number of stalls in the bathrooms. The money saved would far exceed the lost productivity.

Out in his cubicle, Jeff was constantly distracted by all the conversations around him. The woman at the next cubicle was usually on the phone with her clients. A guy from another department liked to walk the halls while he talked loudly on his cell phone to his broker or gardener or nanny, his words bouncing off the walls. Sometimes he pounded his fist on the metal filing cabinets for emphasis. Even worse, anyone who passed Jeff's desk felt comfortable saying hello and disrupting his train of thought. He was tired of being fair game. He tried wearing big noise-cancelling earphones but that didn't stop anybody. They'd just tap his shoulder or even knock on his desktop.

At least Jeff had an assigned cubicle. Certain divisions no longer gave managers dedicated cubicles. They could have TWICE as many



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employees using the same square footage of floorspace. Each day, those employees had to find a place to sit. The enterprising ones came in earlier and went home later, leaving left cups of water, crumpled newspapers and notepads covered with scribbles overnight on the desks they wanted to use again the next day. They hoped their messes would discourage claim jumpers. So, actually, having an assigned cubicle was a luxury.

About half an hour after Veronica Pfaff slammed the door to her office, the department assistant wheeled out a cart with a large sheet cake and soda cans to celebrate this month's birthdays. That did it! Jeff couldn't take any more. He picked up his laptop and headed for the cafeteria. Why not make open space work for him?

Unfortunately, others had had the same idea. A group of young MBAs sat at a long table working together on a case study for the management training program. Jeff didn't want to listen to their role-playing assignment on gender discrimination, so he went to a table as far from them as possible. He found one near the dirty dish conveyer belt. The noise from the machine and the dishes and tableware drowned out the screams and giggles of the MBAs.

Jeff Lyons looked at the time on his computer screen. 4pm. Where had the day gone? He was under way with the project now, but most of the items on his to-do list were still undone. He'd have to work a lot faster if he were to deliver a quality report to Boss Phapf by COB Friday. So he decided to stay home on Thursday. With his wife at work and the kids at school there would be no distractions. Of course, he would have to take a vacation day or a sick day to do it. He took a sick day because he'd already used all his vacation days. It was the last allowable sick day for the year. Jeff almost never got sick, but he had used up his sick days so that he could work at home to make sure that the projects got done.



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On Friday, Jeff got up at 4am and worked until 8am on the project. Then he left for the office and got in at 10am. He figured that he could get it done by 5pm with a half hour to spare. As he settled into his cubicle, he breathed a sigh of relief.

Suddenly, the fire alarm went off, and everyone had to leave the building. That took a half hour. Then they had to wait for another half hour to get the sign to go back in. Jeff had been through this before. It would take almost an hour for everyone to get into the elevators and back to their workstations across all 60 floors. He couldn't afford that kind of time, so he ducked out and went to the nearest Starbucks. It was packed. So he went to Dunkin Do-nuts. It was packed. Finally, he went to the Blarney Stone. There was a table just waiting for him.

Jeff delivered the project to SVP Veronica Pfaff at exactly 5pm. She was astonished to see him. "I was looking for you, where have you been?" Jeff responded, "Presentation on interest rates at the Chamber of Commerce." Veronica didn't pursue it any further. She just said, "I wanted to tell you that they've just changed the terms on the deal. So we need you to go back over this and adjust the analysis accordingly. Can you come in tomorrow?" The bad news was that tomorrow was Saturday. The good news was that nobody was likely to be there, certainly not Veronica. So he could get the work done without having to come in on Sunday. Jeff said yes, he'd come in, and Veronica handed him the new terms of the deal.

Little known to everyone, the Chairman had hired a consulting firm to review the efficiency and effectiveness of the OPEN SPACE strategy for the company. Jeff was one of the many on staff who were interviewed. He told the consultants exactly what the problems were—noise, sick days, fire drills, Blarney Stone and all. At the end of the year a new policy was established which freed up half the space the company was using in the skyscraper by establishing a system of



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working at home. SVP Veronica Pfaff was unhappy—she liked having all of her staff where she could get her hands on them. Jeff, however, was thrilled! He was sure that his production would increase dramatically and that the quality of the work would now get top rankings. And that's exactly what happened.

About six months later, SVP Veronica Pfaff sent a note to all of her subordinates. Henceforth all staff who were in the office would be assigned cubicles in accordance with rank. All those who were working from home would become contractors. All contractors would be part time. She sent along a link to a site that provided advice on how to fill out tax forms and get your own health and disability insurance.



Welcome to the Gig Economy!

**MORAL OF THE STORY:** Being subordinate is more important than being excellent. If you want to be excellent in life create your own job.

