

ACCORDING TO LEGEND, the Z/Yen chop – symbol of the quest for Z/Yen enlightenment – was inherited by Chao Kli Ning's most fervent disciple, Lo Fan. Given Lo Fan's Z/Yen, a philosophical desire to make money, he began a chain of successive sales of the Z/Yen chop to faithful disciples through the centuries. Legend has it that the chop was lost in a fairly messy takeover battle in the early late Middle Ages. However, there are dark rumours that the chop still survives, wielded by modern disciples who continue to spread the Z/Yen creed, for a quick buck.

MICHAEL MAINELLI and IAN HARRIS are founders/directors of the risk/reward management firm Z/Yen and the modern scions of Chao Kli Ning's dynasty. Before reaching total Z/Yen enlightenment, Michael and Ian's monastic duties included service as management consultants and corporate strategists, advising businesses and organisations on the one true path(s), as well as writing and contributing to numerous business publications.

CHAO KLI NING (499BC TO 401BC?): Quasi-mythological, proto-businessman from the late Zhou period in ancient China. Said to have had an uncanny knack for spotting an opportunity to make a quick buck. Legend has it that the Z/Yen business philosophy (see opposite), which later came to dominate the Early Imperial Eastern Mercantile Period, was founded as the result of a massive endowment from Chao Kli Ning's stupendous fortune (although some accounts attribute the Z/Yen Institution to Lo Fan, protégé of Chao Kli Ning, patriarch of the powerful Lo family and holder of Chao Kli Ning's subsidiary rights in perpetuity). The only evidence of Chao Kli Ning's existence is a rich oral tradition of case studies.

Z/YEN (PRONOUNCED "ZEE-YEN"): A mystical philosophy that encompasses enlightenment in business and enlightenment in life. Z/Yen is based on a unique blend of Taoism, Confucianism, Buddhism, decadent subcultures, arrogant supra-cultures and humour. The philosophy, which highlights the duality in all business problems and solutions, is sometimes summarised as "a philosophical desire to make money." Z/Yen is believed to have been founded by Chao Kli Ning (see opposite), although only fragmentary evidence of the origins of Z/Yen survives in its rich oral tradition. Historians have long sought documentary evidence of Chao Kli Ning, the origins of Z/Yen and the zest for enlightenment which made the ancient business world what it is today.

EXCERPTS FROM THE ENCYCLOPAEDIA OF BUSINESS ARCHAEOLOGY PRIOR TO

THE DISCOVERY OF THE Z/YEN PAPERS - THE ANCIENT EASTERN BUSINESS TEXT

CONTAINED HEREIN.

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A MAN WHO KNOWS HIS NUMBERS HAS TAKEN ONLY HALF A STEP BACKWARDS

MUNG, ADUKI AND SOYA: THE HISTORY OF BEAN COUNTING

WHEN ALL THE INFORMATION TELLS A TALE, THE TAIL IS OF BAD INFORMATION

SOUL OF A NEW ABACUS

CHAPTER FIVE: MANAGEMENT INFORMATION

THE QUESTION OF HU

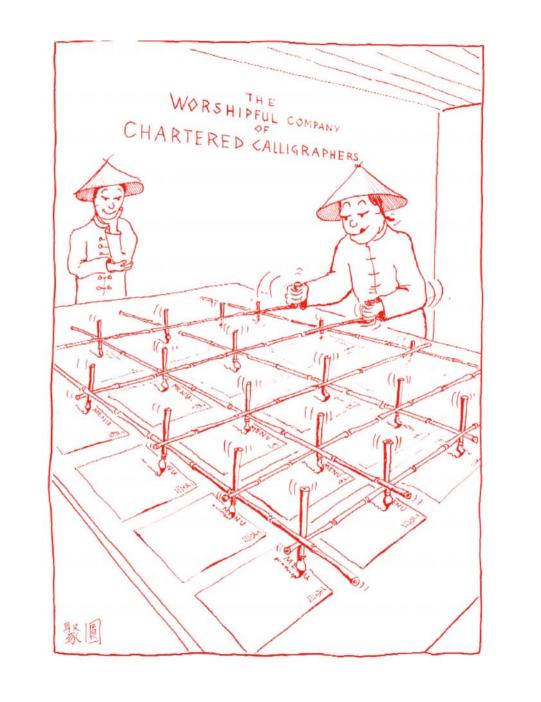
Which reveals the essential thirst of all successful organisations for accurate information and reprographics, but which also reveals the inescapable fact that Chao Cha's intuition is superior to both.

"THAT LADY IS SURE all that glitters is gold," remarked Chung Lin to her beau, Lo Fan. Lin was referring to Chao Kli Ning's wife Cha.

Much as he loved and respected his fiancée Lin – the ex-wife of former restaurateur Chung Chong Chop – Lo Fan was incredulous. Lo Fan was, after all, the loyal manager of Chao Kli Ning's business empire, the Kwik Klining Duck Tea House and Laundry (a laundry and two restaurants). And Chao Cha was to be respected, indeed revered, by all of Chao Kli Ning's staff.

"What do you mean, Lin?" asked Lo Fan.

"She seems to assume that large bundles of clean laundry and vast quantities of food represent huge sums of money for her to spend. Her home makeover and landscape gardening ideas, which she insists on espousing at every public opportunity, such as our silk-spinning circle, beggar belief. I fail to see how a mere laundry and restaurant business could ever yield sufficient profits to meet such aspirations."



"Yet she seems to understand the complexity of measuring profit in intricate businesses like ours," said Lo Fan. "Funnily enough, earlier today I suggested to Kli Ning that we should encourage her to become more involved in the business, so she would appreciate our problems."

"What was Kli Ning's response to that idea?" asked Chung Lin.

Lo Fan emulated Chao Kli Ning's deep voice to emphasise the gruff quotation. "He said, 'Don't be absurd, Lo Fan, get a detailed grip on the big picture, that really was one of your less helpful ideas,' or words to that effect."

"That sounds like him," laughed Chung Lin.

On the other side of the village, the Chaos sat at dinner. "I think I should start to get more involved in the business," said Kli Ning's wife, Chao Cha. "I have certain intuitions about business which you seem to lack. For instance, I would never allow the figures to get so out of date that I wasn't sure what I had left to spend," she remarked pointedly.

Kli Ning recognised her mood. He had seen the same mood when she mentioned her intuitions about botany. He had been forced to hire a full-time gardener to help her intuit botany more accurately. He had seen the same mood just before she told everyone her intuitions about decorating their home. He had been forced to hire an interior designer to avoid some of her more extreme inspirations.

"Funnily enough," said Kli Ning, with only the slightest trace of hypocrisy, "I was just remarking to Lo Fan today that we might benefit from your involvement. I told Lo Fan that he should appreciate your help with our

business problems. Just give me a day or two to hire you a personal information assistant."

"You are quite right, my husband," said Cha, "I have little enough time to spare even a moment crawling around in the details of your grubby business. But once I have a few meaningful facts and figures, I bet I can wring out enough extra cash to redecorate the house and landscape the garden."

Kli Ning knew he had little time and organised the interviews for Cha's assistant the next morning. By the following day he was down to a shortlist of two, Hu and Wen.

Kli Ning asked Hu and Wen the same question. "Can you give my wife all the information she wants?"

Wen immediately explained basic information theory, management by objectives, critical success factors and key performance indicators, drawing on pertinent examples and illustrating from personal experience. Kli Ning was impressed and knew that Wen would make an excellent management information officer.

The other candidate, Hu, paused before answering, "You can't always get what you want; but if you try sometimes, you just might find, you get what you need." Kli Ning then knew he had found his wife's personal information

⁵ Even to this day, in Guangzhou, the lyrics of a certain rock'n'roll band are strangely popular amongst middle-aged businessmen and management information officers.

assistant. Hu was hired and began to try pretty hard to find what Cha needed, although at times Hu's methods became a little extreme.

In his twilight years, Win Kin, the head calligrapher, had finally become fed up with the daily drudgery of copying by hand the menus, the laundry price lists, Ti Ku checklists, advertising leaflets, Kli Ning's business cards, Cha's charity pamphlets and all the other paraphernalia of ancient Eastern business life. Win Kin had a dream – the dream of calligraphic automation. After forty-five years of calligraphy, as a leading light in the Worshipful Company of Chartered Calligraphers, and as the revered developer of the flourish on Registered Character No. 2714, Win Kin still sought renown as a true revolutionary, seeking to shake the very foundations of calligraphy itself. Win Kin foresaw a brave new world: a world based on freedom of, and free access to, information; a world in which decisions could be based on timely and reliable printed matter; a world with leaflets describing new products and special offers, as available to the lowliest peasant as to the mightiest emperor; yea, a world where each household virtually bursts with newsrolls, coupons, journals, directories and unsolicited mail.

Meanwhile, Lo Fan had not got what he wanted, but was trying very hard to find it. For the last two weeks Lo Fan and Win Kin had stayed late every evening, sometimes until midnight, working on Win Kin's great idea in the basement of the laundry. Win Kin and Lo Fan had somewhat different objectives for their late work. Lo Fan was keen to speed up the calligraphy process, in particular the daily menus. Lo Fan always supported potential

reductions in headcount. Naturally, Lo Fan knew that there were pressing grounds for completing Win Kin's calligraphic automaton before Win Kin's retirement. In fact, if he could get Win Kin to finish the calligraphic automaton within four weeks, Lo Fan could bundle Win Kin out to pasture six months early and avoid the need to pay a full retirement pension.

Cha didn't know what she wanted, but she was trying very hard to get Hu to find it. Certainly, she had some clear ideas on areas for improvement, starting with the high cost of sea bass. Cha didn't feel that it was appropriate to share these ideas with her conniving husband or his sycophantic hire Hu whom he had hired just for her. She realised that she still needed to think through some of the details, but knew that the areas for improvement included better revenue reporting, more detailed cost centre allocations and weekly sea bass prices. In short, Cha wanted more information.

Kli Ning was happy enough for the moment. Cha seemed pleased with Hu. Hu seemed capable of pleasing Cha. Hu also seemed to know on which side his bread was buttered; Hu reported daily to Kli Ning on Cha's latest caprice. Kli Ning also appreciated Lo Fan's special project. The details were a bit murky, but seemed to involve improved business processes, lower headcount and a reduced draw on the pension fund with the possibility of a future pension surplus. The staff were understandably a bit twitchy, because the new man Hu was wandering around asking questions, compiling reports, demanding rigorous accounts of how the staff had spent their time, extracting details on the taboo matter of sea bass payments and, worst of all, he spent an uncommon

amount of time chatting to Kli Ning and Cha. In short, Hu was desperately short of information. The staff smelt trouble when they knew it. The customers, as is customary, noticed nothing.

Hu was having to scurry about more than he had expected when he glibly won the job. Cha was nearly as sharp as she tried to look. Hu understood Cha's revenue reporting requirements. Cost centre allocations between the two restaurants were a piece of cake, as were laundry cash flow forecasts, but despite his daily trips to the fish market, he was having great difficulty compiling a sea bass price index which fully reflected spot and forward prices, as well as Kli Ning's customary backhanders. Hu was struggling to reconcile the sea bass price index with the daily and weekly sea bass payment schedules which Kli Ning was reluctantly surrendering to Cha.

Although Hu had discovered, through his investigations, Lo Fan and Win Kin's contraption in the laundry basement, he remained unsure how to turn it to his advantage. It would have helped had Hu known what the machine was designed to do. The machine seemed decidedly unusual, to the point of being strange. Until he had a chance to confront Lo Fan with the details of expenditure on the contraption, Hu was keeping his analysis of "sundry/miscellaneous" to a minimum, in the hope that Cha's attentions were occupied with his other submissions. Hu hoped either to gain Cha's favour for uncovering a significant area of cost reduction or to get a slice of Lo Fan's seemingly sophisticated venture.

Cha was bound to notice "sundry/miscellaneous expenses" sooner or later.

She asked, "O esteemed husband, would it be acceptable if I took sixty per cent of the business profits as pocket money for a little inspiration of mine?"

Kli Ning's reply was swift and firm. "My beloved wife, naturally such expenditure on a personal scheme would be completely untenable."

"I understand that, O revered husband. So can you explain to me the purpose of spending twenty per cent of our turnover, that being sixty per cent of our profit, on sundry/miscellaneous expenses? Surely I deserve an explanation?"

Kli Ning kicked himself for not taking adequate precautions sooner, but was grateful to Hu for keeping it under wraps so long. Kli Ning was even more grateful when Hu burst in, apparently unconnectedly.

"Get a look at this, O esteemed masters!" exclaimed Hu. He appeared to be waving an extraordinarily large pile of menus under the Chaos' noses. "Every menu is identical. We can produce dozens an hour!"

"Pity we don't have that many customers," muttered Kli Ning. Then a little louder, for Cha's benefit, "Ah, this is just like the Temple of Ten Thousand Identical Buddhas. Hu, what wonderful results from our sundry/miscellaneous expense items."

"Oh dearest," said Cha, "I had no idea you were so far-sighted to understand the need for using profits in a well-developed research and development programme, well hidden from the prying eyes of tax inspectors. With this menu copying machine we can increase the number of customers; we can get rid of the calligraphy department; we can even reprint all the staff timesheets."

Kli Ning relaxed. Cha was now all sweetness and light. And Cha seemed pleased with her perceptive husband.

But Cha then demonstrated why she was justly famous for her mood swings. "However, if the two of you think that I can possibly work with such primitive management information, you have another thing coming. How can I possibly help you if you won't help yourselves? Imagine the absurdity. Vast amounts wasted on ill-defined research, piling enormous resources into sundry and miscellaneous, unappraised investments."

Cha was in full flow. "I insist that you, Hu, develop a complete, accurate, valid, timely and well-maintained management information system, so that I might finally get a grip on this fishy business. If you don't deliver, I'll have you gutted like the pusillanimous guppy you are." Both men quivered – Hu for his job, Kli Ning for his life.

And so Hu did deliver.

It was magnificent. Management information of gargantuan proportions spewed out daily. But as long as the top few pages reflected Cha's view of the business, Hu could keep her quite happy with any large pile of paper. Oh she was bright enough to catch on if he gave her the same pile each day, but then Hu had his very own printing machine courtesy of Lo Fan and Win Kin.

Win Kin was happy enough that he had been allowed to keep his machine, albeit hidden in the basement. Unfortunately, the price Cha demanded was that he dismissed all of his calligraphy assistants. Win Kin was also sad that his brave new world of information seemed to be mainly repetitive piles of

paper for Hu's management information system. All technology seemed to be enlisted for the forces of the dark side. Such was progress.

Lo Fan was happy enough with the new efficiencies. He wasn't sure if the printing machine had been worth all the late nights, but he had to admit that Win Kin had produced a wondrous advance, possibly beyond that of the revered Registered Character No. 2714. Unfortunately, Lo Fan couldn't put the world's only printer out to pasture just yet and was having to pay Win Kin's full retirement pension as well as post-retirement wages. For some unexplained reason, the re-hired calligraphy assistants, now called printing apprentices in Hu's management information system, were more expensive than before they were fired. Such was progress.

But progress is often one step forwards, two steps back. The day the sea bass price quadrupled, Kli Ning knew that year's profit was doomed. The fish merchant's daughter's pre-paid wedding banquet called for two hundred covers of sea bass as the highlight of the meal. Hu had been so busy producing copious reports for Cha, he had lost track of their exposure to the great fish. This oversight was more galling as the sea bass future price was listed at line five of page one in Hu's daily report to Cha. Kli Ning could kick himself. Had he and Hu not been so busy humouring Cha, Kli Ning might have used the information and his ill-gotten contacts in wet fish to make a pile. Even better, Cha wouldn't have known. But Kli Ning didn't get that kind of luck.

Cha made her own luck. It was a complicated form of luck, largely involving arbitrage between spot and forward sea bass prices as well as two

swaps through sea cucumber and abalone. Cha could hardly wait to tell Kli Ning about her enormous, crystallised gains in sea bass. She even thought perhaps Hu would deserve a bonus in two or three years, if he lasted that long. On the other hand she pondered, perhaps the Chaos deserved all the credit for employing Hu so effectively.

That evening, dinner at the Chaos was all sea bass and conversation. "Our profits this year should show some dramatic changes," Kli Ning ventured tentatively, pulling a stray bone from between his teeth.

Cha giggled, "Yes, there have been some significant market anomalies which could cause great good or ill, depending on your overall net exposure to wet fish."

Kli Ning, seeing the futility of concealing their trading losses, replied, "Naturally, some things being greater than others, although less than some, leave many positions in an area which could turn adverse under other circumstances, albeit not necessarily those which were encountered today. Does this make sense sweetheart? Which reminds me, I wanted to ask your advice about the two hundred sea bass for next Saturday's wedding banquet."

"Oh, definitely steamed with ginger and spring onion," replied Cha. "You cannot possibly get full credit for the fish if you drench it in black bean sauce. As for the price, our new management information system should ensure that you and Hu can make successful sea bass pricing decisions on your own. I'm a bit tired of trying to do everything. In fact, I feel that I should return to some

interior decorating and spend more time with my silk-spinning circle. Anyway, now that you and Hu are focusing on the key items, I feel that our businesses are a bit more secure."

Kli Ning was a bit perplexed. "I'm not sure I want to count on too many successes like today's," he replied glumly. "Get a big picture grip on the details. Before you return to the important role of village socialite, perhaps you can explain how we can afford to buy two hundred sea bass next week?"

"I know it was expensive, but two thousand sea bass futures mean that we can supply next Saturday's banquet and pocket a net profit on eighteen hundred sea bass quadrupling in price," said Cha. "I hope you don't mind my last minute deal. You know I can't resist a bargain."

"Um eighteen hundred," replied Kli Ning eloquently. "You, um, I see."

"Oh, I'm sorry if I overstepped the mark," said Cha. "But you and Hu make it look so easy. All this buying and selling after you work out that ferociously complicated pile of management information. Especially as the supporting pages are so little help in understanding the top few pages. I just had to try it myself. I promise not to do it again."

As a pre-eminent businessman, Kli Ning possessed sufficient powers of recovery to insist, "See that it doesn't happen again. You know that only we know which information to focus on. I shall use Hu's printed information to invest your windfall gain wisely. Had I been privy to the information that you saw, I would have managed the risks and rewards the Z/Yen way, which would surely have netted more than eighteen hundred fish. All that glitters is not gold."

"O my beloved," chirped Cha, "I am delighted that you will now rely on proper information to run our business. But the profit on the sea bass is already committed to my home improvement project. You just won't believe the original feature I have designed for our garden..."

QUESTIONS FOR STUDENTS

- Prepare a simple generalised auto-regressive conditional heteroskedastic model of sea bass future prices cross-correlated with pork bellies.
- Design a calligraphic character which you could register and would qualify you to join the Worshipful Company of Calligraphers. Now try to figure out what it means.

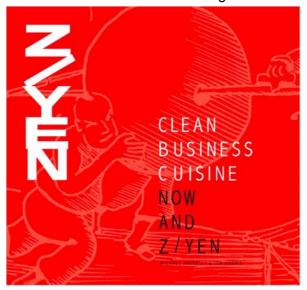
⁶ Even to this day, in Shenzen province, constructing a pagoda is known colloquially as "buying a stairway to heaven."

⁷ This page intentionally left blank.

Clean Business Cuisine: Now and Z/Yen the humorous risk/reward management novel

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Michael Mainelli and Ian Harris are founders/directors of the risk/reward management firm Z/Yen and the modern scions of Chao Kli Ning's dynasty. Before reaching total Z/Yen enlightenment, Michael and Ian's monastic duties included service as management consultants and corporate strategists, advising businesses and organisations on the one true path(s), as well as writing and contribution to numerous business publications (see also www.zyen.com).

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Prologue – Z/Yen Things You Always Wanted to Know About Business; Chapter One: Centralisation/Decentralisation – Confederal Unity; Chapter Two: Technology – Gizmo's Big Adventure; Chapter Three: Human Resources – People Are for Turning; Chapter Four: Continuous Improvement – Quality is Free; Chapter Five: Management Information – The Question of Hu; Chapter Six: Leveraged Growth – Brothers in Alms; Chapter Seven: Strategy – The Greeks Have a General Word for It; Chapter Eight: Commercial Ethics – Kli Ning's Principle Problem; Chapter Nine: Sales and Marketing – Saving Faith; Chapter Ten: Risk/Reward – Fat Chance's Risky Business; Epilogue – See You, Z/Yen.

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