Redesign of the Mid-American Journal of Business

An Honors Creative Project
(HONRS 499)

by

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May 2005
Abstract

The Mid-American Journal of business is a national business journal supported by Mid-American deans and produced at the Bureau of Business Research in the Miller College of Business at Ball State University. Because academic and professional journals are largely text based, their design is often overlooked. For my creative project I have taken the MAJB and redesigned it with an all-new typographic palette and design. In addition, I created a sophisticated website for the journal that will eventually contain a full archive of all journal articles published in its 20 year history. These updates are meant to not only make the journal more appealing and readable, but also to facilitate the transfer of information from the page to the reader.
Acknowledgments

I would never have completed this project without the help and thoughtful input of my adviser, Jennifer George-Palilonis.

I would also like to thank Judy Lane for providing feedback and communicating with the editorial board of the journal.

In addition, I would like to thank the following for their support and input: Michelle Wilcox, Stephen Jendraszak, Chad Yoder, Shawn Barkdull, Cole McGrath, Sarah Jones, Miranda Eliáž, Sandra Burton and anyone who was willing to look at a prototype and share their thoughts.
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Redesigning an academic journal

When I first mentioned the possibility of redesigning the Mid-American Journal of Business to the managing editor of the publication, she was excited to say the least. The current design of the journal has aged poorly, and has an unprofessional look to it. When I offered to take the journal and try to give it a face lift into the 21st Century, I was met with much encouragement. My original intention was to redesign only the print edition of the journal, but I was asked by the managing editor to consider including the online edition in my redesign as well. I didn't realize then what a daunting task it would be to take them both on. I was confident in my skills as a print designer, but the redesign of the online edition would require me to learn several coding languages and set me on a course of trial-and-error design from which I thought I would never escape. The resulting redesign, however, makes the whole process seem worthwhile. What once seemed like a stuffy leftover from late 1990s print and web design is now a contemporary and professional entity that outshines many academic journals in the same category. This synthesis paper outlines the thought processes and decisions I made while working on this project.

About the Mid-American Journal of Business

I have been working with the Mid-American Journal of Business (MAJB) since Spring 2001. So when I decided to redesign the journal for my honors thesis, I had three years of experience with the MAJB to build on. The MAJB is a national academic business journal supported by deans of Mid-American colleges of business. The journal publishes work by both academic researchers and business professionals. The managing editor of the MAJB is Judy Lane, the Associate Director of the Bureau of Business Research (BBR) at
the Miller College of Business at Ball State University. The editor-in-chief is Ashok Gupta, a professor at the college of business at Miami University of Ohio. The MAJB has been produced by the BBR since its first run in 1985. The journal was maintained for many years by BBR Publications Coordinator Sandy Burton, who retired in early Spring 2005. Burton's successor, Sarah Jones, and Assistant Publications Coordinator Miranda Eliaz, have taken over production of the MAJB. The current design of the journal was developed by Burton in 1997. The journal runs twice a year, once in the Fall and once in the Spring. Submitted manuscripts are reviewed by a board of reviewers, and the journal has a manuscript acceptance rate of 20 percent.

Redesigning the print edition

Academic journals are largely text based. They publish long papers with occasional accompanying tables and figures. With this in mind, the number one design need of an academic journal is an excellent typographic palette. I chose Hoefler Text from the Hoefler & Frere-Jones type foundry for body copy. Hoefler Text is modeled after classical book typography. It is easy on the eye and reduces eye strain while reading for extended periods of time. For display type, including branding and article titles, I chose Village Roman Titling from the Font Bureau type foundry. This typeface was originally designed for use in Esquire magazine, and has a commanding yet organic appearance. These attributes help to contrast the otherwise stuffy and angular feeling of an academic journal. I also chose a sans-serif typeface for use in charts, graphs, level headings, and several other iconic elements for the journal. I chose Guggenheim from the Hoefler & Frere-Jones type foundry for this purpose because it has commanding presence, yet it doesn't appear to serious. The variety
of weights of the typeface are used to create contrast between the sans-serif elements on
the page. These typefaces work together to create a professional and contemporary design
that will hopefully also be timeless.

Academic journals must also be designed to be read. The MAJB is largely read by
people who intend to read it in its entirety. Nonetheless, I attempted to add more levels of
information layering to appeal to the casual reader. By offsetting the abstract of the article
from the body of the text (see article page layout), I hope the reader feels he or she can at
least read the abstract without committing to reading the entire article. Also, the use of
pullout quotes and sentences offers another level of entry into the article. The current
design of the journal is based on a two-column layout. I chose to change to a three-column
layout for several reasons. First, the two-column layout exceeded optimal line length for the
size of the text used. Switching to a three-column layout make jumping down to the next
line easier, and also added more air to the design to break up the text. Second, the two-
column layout demanded that all tables and figures be made either half a page wide or a
whole page wide. A three-column layout allows the designer to better fit the content of the
tables and figures to the design without too much or too little extra space. A table or figure
can be either one column, two columns, or all three if necessary. Also, a two-column table or
figure can be placed in either the far-left and middle column or the middle and far-right
column, allowing for greater variety in page layout.

The design of tables and figures is often dictated by the information that is provided
by each author. They will supply complex flow charts that can be difficult to recreate in a
drawing program such as Adobe Illustrator. This cannot be helped. The individual designer
must attempt to recreate the substance of the flow chart in a format that fits within the
design of the journal. The same used to be true for tables, fever charts, bar charts, and pie charts. For the redesign I created templates off of which designers can base the appearance of all table and charts. This will help create a more uniform appearance of charts and tables throughout the journal.

Another feature the redesigned journal has is a changing theme color. The color appears on the front and sometimes the back covers. For each issue, a new color will be selected and the design elements that are in the theme color will be updated.

The redesign of the print edition of the Mid-American Journal of Business is aimed at promoting the journal in the world of academia. Although academic and professional journals depend little on what one would call rack sales, the quality of the design of any publication reflects on the quality of the publication in general. So if the design is bold and professional, a casual viewer may also infer that the content shares the same attributes.

Redesigning the online edition

When it came time to redesign the website of the journal, I first considered what the current website did for the journal that was good, what it did that was bad, and what it lacked altogether. The current website contained general information about the journal, an archive of abstracts of articles, a subscription form, and a PDF document archive. What the site lacks is an online archive of full text articles, and I considered this to be of utmost importance when redesigning. Also, because the archive of articles can be sorted in many different ways, it would also make sense to have the articles available in a database to prevent duplication of information across the website. For this reason, I selected the open source blogging platform Wordpress as a base architecture on which to build the redesigned
MAJB website. Wordpress is built entirely on open-source technology, and was therefore free to acquire and easy to manipulate. Wordpress uses mySQL, an open-source database program, to store the information for each article. The software is written in the PHP coding language, and also employs Cascading Style Sheets (CSS) to determine the appearance of the entire site. A single CSS document can control the appearance of every page on a website.

The current design of the website also depended heavily on navigation button images and frames in what was becoming an archaic design. Also, because the site was built with plain HTML documents with styling done on an individual page basis, consistency was also a problem. CSS allows me to streamline the look of the website and allow for easier updates to the appearance. From the CSS document, any visual change to the website will be instantly reflected on every page that references the CSS file.

I chose to try to mirror as effectively as possible the cover of the print edition on the front page of the website. The titles of each article appear along with the same short description that is used on the contents page of the print edition. The titles then link to the full text article. The full text articles also contain reference links to anchors that mark the full references at the bottom of the page. Also, the Wordpress software allows visitors to leave comments on articles, a feature the board of directors expressed interest in implementing. When every issue is updated, the front page will show only the current articles. To get to older articles, visitors can either use the search function or browse through the archives. The static general information pages have also been updated for the redesign. Another design element that has been included in the website is the implementation of the theme color found in the print edition. The theme color can be
changed by changing one hexadecimal value in the CSS document. The change will then be reflected throughout the design of the journal.

The beauty of the Wordpress format is a largely web-based updating process. Aside from the current cover image that appears on the site, all updates can be performed through a standard web browser. The Wordpress backend allows users to post articles, edit server documents, moderate comments, and do nearly anything that updating the journal might require.

Conclusion

While an academic journal may not sound like the most exciting design project to work with, it presented design challenges that were fulfilling to overcome. I had to understand what the reader of an academic journal is looking for when he opens the issue. Thinking this way led to elements that I would have done differently had I been designing for another kind of medium.

While the redesign of both the print and online editions was limited to the confines of this thesis project, the managing editor of the MAJB has expressed interest in implementing both for the Fall 2005 issue. Working with the managing editor and the publications coordinators who would be working with the new design also forced me to think about the mechanics of the design I was creating so I could leave adequate instructions to be followed when my project was finished and I graduated. Inevitably there will be design challenges that I did not or could not foresee, but I believe the redesign is fluid and complete enough for anyone to be able to follow it.
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© 2004 Ball State University. ISSN: 0895-1772
Produced at the Bureau of Business Research, Ball State University
Sarah Jones, Publications Coordinator

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Send manuscripts and editorial correspondence to Ashok Gupta, Editor-in-Chief.
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‘Successful Failures: Wisdom, Quotes and Stories to Inspire You to Success’ by Joyce Knudsen, Ph.D.
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We all want to succeed. We are obsessed with being successful to the extent that we worry and plan and sweat that nothing must go wrong. Invariably, something always does go wrong. It is like riding a bicycle – if you try too hard not to bump into a pole, you most likely will. Fear of failure makes us commit mistakes and increases the odds of failure. Is failure so bad? Is success so desirable? Of course, total failure is bad. However, expectation of continuous success is also an unreasonable goal. Some degree of failure is inevitable. In fact failures, which interrupt the success trajectory, when viewed as lessons to learn, make growth possible.

The reported failure rates of new businesses during their first three years of operation range from 10% to 85%, depending on how a business failure is defined and who the reporting agency is. The real figure is somewhere in between these limits. The point, however, is that failure is more likely to occur than success; many of the new start-up businesses each year will fail. Failure does not mean that the entrepreneur is a failure; it only means that he/she has not yet succeeded. Failure does not mean that nothing was accomplished; it only means hopefully something has been learned.

Successful entrepreneurs bounce back even more vehemently than ever from each failure. Each failure is viewed as stepping stone to learn and move on to improve business processes, products or services. If we wish innovation to thrive, we need to become more tolerant of failures. Albert Einstein rightly said, “Anyone who has never made a mistake has never tried anything new.” Society obsessed with winning often makes people whose efforts have failed feel like Hawthorne’s character with a scarlet “F” pasted on their chests says Jeffrey Shuman, director of Entrepreneurial Studies at Bentley College [1]. We need to develop right attitude toward failure.

Every success sows the seeds of failure. Success is intoxicating and addictive. It makes us arrogant. We become myopic and ignore changes that do not suit us. While failures, when considered as challenges to overcome, encourage us to seek novel solutions. No one can appreciate failures and mistakes more than the 3M Corporation which has succeeded mainly because of the mistakes and failed efforts of its scientists and engineers.

Take the example of Microsoft, now a successful software giant. When Bill gates introduced Windows 1.0 it was a failure. A few years later, after putting more money into its re-development it was introduced as Windows 2.0. That also didn’t work. But Bill Gates did not close his shop. He interacted with customers and learned from them. When he introduced Windows 3.0 in 1990, it was a huge success. Bill gates did not stop there either. He kept learning and improving his product which led to Windows 95 – a mega hit. Whether it is a success or failure, you die if you stop learning and rejuvenating yourself. After a failure, it requires courage to get up and go; after a success it requires humility to understand that best is yet to come.

While we celebrate success and lament on failures, let us remember, “In one success a thousand failures lie forgotten. In one refusal to try a thousand successes prematurely die.” The greatest failure is in the refusal to try.

In This Issue...

In this Special Issue on Business Failures, we present an Executive Viewpoint and six articles.

The Executive Viewpoint is based on an interview with Dr. Ken Blanchard – the co-author of classic One Minute Manager and his latest Customer Mania! Dr. Blanchard shares his simple recipe for success in the fast-paced business environment: If you ignore learning, you become obsolete and unless you take care of your people, you are not going to be able to take care of your customers.

The first article by Coelho and McClure makes analytic use of competitive markets to provide insights into the processes of success and failure. Authors argue that failures in business economize upon resources and lead to better firms and greater efficiencies. The issue is of learning from failures and early recognition of mistakes.

The second article by Gopinath borrows from the crisis management literature to build a model to recognize signs of business decline. The paper focuses on
why the recognition of decline is delayed in organizations and how it is brought about. Understanding of the triggers that indicate business decline should help in effectively managing the turnaround process.

A significant portion of the annual reports issued by publicly traded firms contains non-numerical information. Auditors are expected to check if the non-numerical information is consistent with the numerical information to aid investment community in assessing the health of the organization. Amer and Drake in the third article of this issue provide the auditor with a set of users’ perceived numerical equivalent of non-numerical information. Equipped with this understanding auditors can better respond to the requirements of AU Section 550.

Audit firms carefully guard their reputations. Since auditor performance is difficult to objectively evaluate, audit firm reputation is used as a surrogate measure. Litigation announcement may jeopardize their reputation, consequently, business success. However previous research linking litigation, auditor reputation and auditor selection in future jobs has been inconclusive. Allen, Linville and Stott in the fourth article of this issue examine this linkage from a fresh perspective. Using a sample of persons typically involved in auditor selection, authors find that any litigation alleging audit improprieties greatly reduces the auditor’s likelihood of hire regardless of the type of legal action announced or the degree of direct involvement by the auditor.

In the fifth article Lussier develops and tests a non-financial model that predicts real estate business success or failure. The Lussier model accurately predicted 84% of the surveyed successful and failed matched pairs as being successful or failed.

In the last article of this issue, Ervin, Filer and Smolira evaluate the impact of global diversification on the success of an individual’s retirement portfolio for the period January 1930 to December 2001. The results can be used to determine the value of the portfolio an individual needs at retirement to fund a given level of withdrawals and the timing of retirement.

References
Notes from a Retiring Dean

David Graf, Dean, College of Business, Northern Illinois University

It is surprising how fast the years go by. I wouldn't have expected to be asked to write this column any time soon. Suddenly the day arrived when I realized that I have served in administrative positions for more than 20 years. People used to say that I looked young, but now I find them guessing my age pretty accurately. Now it's time to move along and give someone else a chance. I wouldn't want to say that I have become bankrupt of ideas but I would say that events have become a bit more routine. I really don't think Deans enter the job thinking that anything will become routine and maybe when it does, it's time to move along.

The suggestion has been made that I use this column to reflect on the years past and, most particularly, my 12 years as Dean. Many books have been written about how to begin your administrative career and how to nurture it. I will join those who choose to provide some observations about administration. I was actually in some administrative post or another for more than 20 years. Since most lists seem to be written in tens, I will follow suit.

1. Strive to appoint good people to key posts and then let them do their work. Whether they are directors or associate/assistant deans, or administrative staff the important element is to work cooperatively with them but try not to interfere with their work. There is always something satisfying about completing a project you can call your own. This goes for the people who surround you. People also enjoy taking credit for their work or at least sharing the credit.

2. Remain flexible in allocating your time but make some time for yourself. One of the beauties of the job is the variety. Your day includes activities within the organization and outside the organization. The events may be large or small. Through all of this it is important to make time for your family and friends and yourself (including some exercise). Allocate a little quiet time before or after work to catch your breath and think. Circumstances may be overwhelming at times but they usually become resolved. If the job begins to impact your health - “pull the plug”.

3. Ideas can come from anywhere so don’t lock in on some hierarchy that may not be helpful for innovations. We are all members of the larger community regardless of position or rank. It is important to create an environment where everyone’s good ideas are honored and individuals/groups feel they are contributing.

4. We aren’t in these positions to be paid to dislike people and marginalize those who sometimes treat us badly. With budgets the way they are these days, an administrator cannot afford to ignore people. It is our responsibility to try to bring them into the community and encourage them to contribute as much as possible. It is important to note that everyone has something good about them. The temptation is to concentrate on their weaknesses. If you applied this negative approach to your whole organization, you would have a tough time selling it to others.

5. Before making proposals to the general college or college committees, get the lay of the land first. It may come as a surprise but administrators ideas are sometimes considered “goofy”. It pays to find that out by talking with people and bouncing these ideas off them before marching in and announcing the changes. Even then most discussions begin by tearing an idea apart (not a good time to jump in), but if the idea is a good one the group will put it back together again and run with it.

6. Welcome the external community. Whether it is advisory boards, alumni groups, interested individuals, or parents - good ideas don't necessarily come from inside the organization. The external community can also include the administration of the university. Having campus representatives on key committees such as strategic planning helps others understand what is being accomplished. Reaching out to the external community lends validity to the activities of the organization.

7. Provide social events for employees. This is something that can be done occasionally, but it is amazing how segmented faculty and staff can become. A breakfast, lunch, occasional college party really helps people mix. People seem to work together better when they know each other.
8. Try to create a physical resource base that helps people perform their work more effectively. This also includes making the work space conducive to spending time at work. That new chair, computer, software package, or climate change may be far more important to the other person than it is to you. If people desire to leave the organization that would be the last reason I would want them to leave.

9. Know your faculty and staff and walk around to stay in touch. This does not include trying to assume the duties of your staff, but it does mean taking an interest in each person who works in your organization. I really don’t know how this can be done by writing emails (which can often be interpreted in many different ways). Meeting and talking face to face, showing interest in their work, and providing positive feedback are important. It also helps with the communication process. But in the process, don’t lie to people. If you tell everyone what they want to hear, eventually you will be viewed as having no standards.

10. Prepare a succession plan. It’s important to ready the organization for the next group of administrators. Plan for a time to build and plan for someone to have something upon which to build. Talking about succession also allows others who think they may want to be administrators to look at the organization more globally. When people show an interest, mentor them and provide experiences where they can grow. There isn’t such a thing as a permanent position or an irreplaceable person.

I have always enjoyed administration. There is a certain amount of pressure to be your best. It is a position that provides a bird’s eye view of the organization, provided that you have considered all of the elements. It provides an opportunity to showcase the organization to others and to promote the individual skills of your colleagues. It has certainly provided me with great friends and memories.
Leadership in a Fast-Paced World: An Interview with Ken Blanchard

Interview by Ashok Gupta, Ohio University

Few people have impacted the day-to-day management of people and companies as has Ken Blanchard. His coauthored The One Minute Manager(r) library has collectively sold more than nine million books and has been translated into more than 20 languages. On May 13, 2004, Ken Blanchard visited College of Business at Ohio University where he started his teaching career in the late 1960s. To find out what it takes to succeed in today’s business world, MAJB Editor-in-Chief Ashok Gupta asked Ken Blanchard about changes he has seen in the last 4-decades in the theory and practice of management and what leadership challenges does he foresee as we look into the future. Their edited conversation follows.

Ashok Gupta: How has the practice of management changed since the publication of your now classic book One Minute Manager 20 years ago?

Ken Blanchard: One of the things I think that has really changed is that employees want partnership relationship rather than superior-subordinate relationship. There is still a lot of image around hierarchy. Superior and subordinate are really awful words. You ask some people “What do you do?” They say “I’m in supervision.” Which means somehow “I have super vision,” I see things clear. I think that people today want to be recognized for what they can contribute and want to be a partner with all ranks of people in accomplishing business goals. In fact one of the things you will find is that they want to be a financial partner if they can. That was one of the attributes of the whole dot-com era. If they can be a financial partner, they want to be psychological partner and all. If I were to rewrite the book, one of the things I would have done is put more emphasis on partnering role of managers.

The other thing that I would change in the One Minute Manager is one-minute reprimand. One-minute reprimand is for people who know better. So tell them what they did wrong, how you feel about it. If somebody is a learner, you should not reprimand him; you should re-direct him. You do not want to lose your good people. Because things are changing so fast today that you don't get too many people who are experts in what they are doing because the minute they think they are experts, the thing has changed. And that’s another difference that has occurred in the last twenty years. Managers twenty years ago used to be the best at doing what the people that they were managing did. The reality today is if you become a manager and you ignore learning than you will be obsolete. You can no longer say my way is the best way because today more people are managing those who know more about their job than managers do. So these are the major changes. What Peter Drucker said we have become “knowledge workers” and I think that’s really an important significant change in the context of management.

AG: What leadership challenges do you foresee as you look into the future?

KB: Well, I think the biggest challenge for companies in the future is how to re-
tain your good people. And because so many people now have so many options and everybody is after the good people, and so, if you think that your people are just means to the end and aren’t very important, they are going to take off. The number one indicator of job satisfaction today is the relationship you have with your boss, and the number one reason that people leave companies is their relationship with their boss. And so I really think one of the things needed to be done is to take that challenge of retention seriously. Take for example a company like Wal-Mart. Their turnover of personnel is about 45% a year. When you got, 1.4 million people working with you, that means you are turning over 600,000 people a year. That’s got to be so costly. I mean here we are, you know downsizing and outsourcing in order to save money. I think our biggest way to save money is to retain our people and so I think that’s a big challenge.

The other challenge I think is to not get stuck in the way you are currently doing business because you know things are changing so fast and your main competition isn’t other company of your size, it’s the guy in garage who is coming up with innovative ways to do business. So you got to be able to blow your current practices and way of thinking and go for innovation—the creative destruction. Things are changing so fast today that you have to manage the present and create the future at the same time. But you don’t want the same group of people doing both jobs. If you take people with the present time responsibilities and take them away for three days to teach them strategic future planning, they will kill your future because they either invested in the present or overwhelmed by the future. To think creatively about future, we at The Ken Blanchard Companies have established an Office for the Future with three or four people who don’t have operational responsibilities. Their full time job is to study what’s happening in organizations, what’s happening in technology. And than

“...our biggest way to save money is to retain our people.”

9/11 happened. Business people curtailed traveling. Cost reduction became important. If there wasn’t this Office for the Future, we would have been in big trouble. Because we knew so much more about interactive technology and how to do web-training, how to work on video conferencing and all those kinds of things, we not only survived, we prospered.

Another big issue that I see is that the gap between learning and doing is significantly bigger than the gap between ignorance and knowledge. And one of the things that we noticed is that companies were not following up on training. Companies send a lot of people to a lot of training. Then they get back home, their voice mails are full, their emails jammed, everybody is waiting for them. And they don’t even have a chance to think about what they learned, and about the time they do, you know, their notes roll. We thought of providing six telephone coaching sessions after each training. We found tremendous results because they have weekly conversations that somebody not emotionally involved in their lives, you know, forty-five to fifty minutes, you’ll say, what you get out of that training? And what you got to do? I’m going to talk to this person here, I’m going to have this meeting, and I’ll do this... that sounds great, I’ll talk to you next week and found out how that went and they say how that go I didn’t have the meeting and why? Well, look, hang up, call me back tomorrow after you had that meeting. You said you’ll really do this and with six weeks of somebody keeping on you to keep fresh what you’ve learned and how you are going to use it is unbelievable.

I think it is a challenge for business schools too, because I really think that the schools got to think what their MBA students are doing and how you can make their learning become alive. Schools need to have follow-up programs for graduates to keep in touch with them. They need to be proactive about what their students are doing and learning because what is going to keep business schools in the forefront is the success of their students. And the success depends on bridging the learning-doing gap. I think each business school should have a dean in-charge of external applications or talking to customers.

AG: In 1988 you wrote Power of Ethical Management. Fifteen years later we saw a huge meltdown in business ethics. What do you attribute to the current moral/ethical crisis in business?

KB: In the last fifteen years we have been moving more and more to the belief that the only reason being in business is to make money. I think the pressure from Wall Street and the fear if we miss our numbers in a quarter; they are going to kick us big time has contributed to this thinking. Some of these guys who got in trouble are not bad people. And I know several instances where it looks like they are going to miss their numbers for a quarter and the accounting group would say “if we do this here and do that there, I think we could make it look like we can make the numbers, what do you think?” And they are thinking about that I got to be responsible to stock holders, maybe if we manipulate the numbers this quarter we can catch up within the next quarter. What happens though is one lie gets followed up by another lie. I think a number of people got caught up in the numbers game. I think it’s a tremendous drive and fear that if we don’t make up our numbers, we will get killed. Interestingly, I don’t think we saw any cases of ethical violations from private non-public companies. Because they can work on their own speed without pressure from Wall Street. I had not really thought about this before, but when you really look at it, the companies with ethical problems are all public companies, they’re all compa-

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nies driven by evaluations from financial analysts. I don’t think fifteen years ago the pressures were as much as it is today. Wall-street pressure is causing people to make poor decision.

I think somebody needs to take lead in putting together a business ethical council. I talked to some people about why don’t we put together a group of people who when Wall-Street trash a company could immediately come out with full page add giving their analysis of that company to the stock holders. We see a lot of 2-page articles trashing billion dollar companies in prominent business magazines written by twenty-seven year old kids who interview CEOs for an hour. I wish I were that bright that I could figure out a billion dollar company in an hour.

**AG:** How satisfied are you with the quality of leadership in US corporations on a scale of 1 to 10; 10 being highly satisfied? What is lacking in today’s business leaders?

**KB:** When I look at the whole spectrum of businesses, I think the business leaders are getting better. People are getting better trained and they are more aware of their environment. The problem is that people are under tremendous pressures. The big thing that prevents me from giving leaders a 10 is that they think you have to choose between results and people. They think it’s an either or situation - either you care for people or you care for results. For me they are both ends as well as results. People who feel good about themselves produce good results. Also, people who produce good results feel good about themselves.

One of the areas where most companies do not really do good job is the management of performance at individual level. I think it is too slip shod. One should look at three aspects in managing people’s performance. One is the performance planning – setting the goals, objectives and need for training. Second is the day to day coaching to help them achieve their goals. The third is the performance evaluation. In most of the companies, the biggest emphasis is on evaluation - did you achieve results or not and how well. And when I consult with these companies, they show me their latest performance evaluation form. They ask me if I liked it. And I say you can throw that form out because they measure stupid stuff like initiative, creativity, willingness to take responsibility, and promotability. Nobody knows what that is. As a result they suck-up to the hierarchy. Because they have good relationship with their boss they get ahead in the corporation. And the real action for me is in the planning or coaching. Performance planning is giving people a final exam ahead of time. What they do through coaching is teaching the answers to the final exam. The purpose is that when they get through the evaluation, they should have accomplished their goals. All should be able to get “A” grades. Wouldn’t that be great for organizations? And a lot of people say that we can’t rate everybody high because look at the corporate pyramid. There are fewer spots as you move up. But that’s so naïve because you’re thinking that’s always going to be the same. If you set up performance management system where people feel safe and they think their managers partner in their progress, these people will start being curious and creative and think of ideas for new businesses for you that they have never thought of before at that will lead to business growth. More spots at the top will become available.

There is another leadership issue which I think is very important and lots of business leaders have problems with it. Jim Collins spent five years studying leaders who were able to turn around organizations which were in trouble. He found two qualities that had the most impact on their performance. The first was will — the determination to follow a goal, follow a mission, and follow through on it that is tenacity toward the result. The second was humility. People with humility don’t think less about themselves, they just think about themselves less. The great leaders, when things go well, look out of the window, they give everybody the credit. When things go poorly, they look in the mirror and say what could I have done differently? While the typical manager, when things go great, they look at the mirror and pound themselves on the chest and say how great they are; when things go wrong, they look in the mirror and say how great they are; the typical manager, when things go well, they think about themselves less. The great leaders, when things go poorly, they don’t think less about themselves, they’re thinking that’s tenacity toward the result.

“There is another leadership issue which I think is very important and lots of business leaders have problems with it. Jim Collins spent five years studying leaders who were able to turn around organizations which were in trouble. He found two qualities that had the most impact on their performance. The first was will — the determination to follow a goal, follow a mission, and follow through on it that is tenacity toward the result. The second was humility. People with humility don’t think less about themselves, they just think about themselves less. The great leaders, when things go well, look out of the window, they give everybody the credit. When things go poorly, they look in the mirror and say what could I have done differently? While the typical manager, when things go great, they look at the mirror and pound themselves on the chest and say how great they are; when things go wrong, they look at who to blame.

**AG:** What prevents more companies from emulating the successful ones? Why there is such a big Knowing-Doing gap in business management?

**KB:** You cannot just take a good leadership pill and become a good leader. Our research shows that, particularly with young people, they want a leader to have integrity, which is walking the talk. They want partnership relationship and, they want affirmation — they want to be caught doing something right.

I have ever become more convinced that leadership is as much a discipline as it is an art. And the problem with most leaders is that they are not disciplined enough. Peter Drucker one time said...
nothing good happens by accident. You have to put some structures around it, you have to put some discipline around it. For example, during our consultancy when we visit managers we ask them to spend a minimum of 15 to 30 minutes talking with their people once a week on an individual basis— if they can’t do it once a week, how about once every two weeks, and let them run the agenda, find out what is happening with them, how they are doing, how they are doing with their goals, is there anyway you could help them. What these managers say, “How am I got to do that, I don’t have time.” I said, suppose you get 10 people working with you, you spend full 30 minutes with each one. That’s 5 hours. You don’t have 5 hours in a week to spend with your people? What are you busy with? That is why I say they are not disciplined. People get side tracked and spend time where it does not matter. I think people spent too much time in meetings, just too much politicking, too much extraneous stuff that somehow is seen as more important in their evaluation of their future than what’s happening with their people, what’s happening with their performance. I am sure you know some people in your life who are thoughtful people like they remember your birthday. How do they become thoughtful? Most people when they announce a change. Our research shows that there everybody is all the benefits of the change. This guy absolutely knows about change. This guy understands change. He has spent two and a half years selling and preparing different layers of management about the change. Our research shows that there are six concerns people have. In order of importance, their first concern when somebody is talking about the change is information — tell me what’s in your mind, can I ask you any question about it, who can I contact to know more about it. Then once they understand it, the next concern is personal concern — how does it affect me, will I survive, will I fit in. Then their next concern is implementation — how will this roll out, what’s going to happen when. Their fourth concern is impact — what are its benefit, what are its costs. So they are not interested in knowing the benefits unless other three concerns are addressed first. And the leader is up there pumping up the benefit. From people’s point of view, leaders need to spend time on the first three concerns, which need direction and coaching. The fifth concern is of collaboration — who else should be involved in its successful implementation. The final concern is refinement which is how do we make it better. Journey to change starts with direction, then move to coaching, then move to support, then move to delegations.

So, I think the biggest difficulty is that leaders don’t understand the process of change. They don’t understand that implementing change is a tenacious thing. With the President of Yum Brands, I am just finishing a book called “Customer Mania” which talks about how to create a customer focused company. Here is the guy that understands change process. He wants to create customer mania worldwide. Yum Brands own KFC, Taco Bell, Pizza-Hut, Long Johnson Silver, and A&W Root Beer. He got 850,000 employees in hundred nations. He has spent two and a half years selling and preparing different layers of management about the change. This guy absolutely knows about
both people and results. His model is people capacity first, customer satisfaction and profit will follow. And he is tenacious. Many leaders just announce a war, if that does not work, try another one. Many leaders do not know what to do about changing things, except blaming the person of the past or reorganizing. Form should follow function and most people are not clear what they want to have accomplished. They set up form to accomplish that. What happens is after a while form is running the function and we are not getting anywhere.
Learning from failure

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Failures may lead to ultimate success in both nature and business. Just as dynamic ecosystems depend on death to replace senescent organisms with vigorous growth, the termination of uneconomic activities is essential to wealth creation. This paper explores the benefits of failures, and uses aspects of the analogy between death and business failure to analyze how failures in business economize upon resources and lead to better firms and greater efficiencies. A distinguishing feature of our work is the analytic use of competitive markets to provide insights into the processes of success and failure. Recognizable patterns of business failures are discussed in an effort to provide entrepreneurs and managers with a basis for understanding and acting upon changing circumstances.

Introduction

This issue is devoted primarily to ways to avoid failure. It is the premise of this paper that failure, like death, has an undeservedly dismal reputation. Without death there is no life, similarly without failure there is no success. In nature an individual organism “fails” if it dies before reproducing; if the reason for its premature demise is genetically transmissible, then its death makes the gene pool of its species better adapted to surviving in the existing environment. In market economies, firms fail because they do not produce goods and services desired by customers at prices they are willing to pay; in short, these firms are less competitive than their rivals.

If we extend the analogy, and speak, not of the death of an individual, but the extinction of a species (or industries), species become extinct because they are less well adapted to the existing environment than rival species. We may deplore the loss of a species, but it is part and parcel of life. Industries fail whenever customers value the industries’ output at less than the costs of producing it. The carriage-making industry disappeared because innovations made the resources devoted to carriages more valuable in alternative occupations. Although we may deplore the loss of skills associated with the making of fine Conestoga wagons, do we want to replace the internal combustion engine and literally rely upon horse power? In a dynamic and growing economy there have to be failures because the economy is dynamic and growing.

Further reflections on failure lead to insights that are applicable to business management. However, we have to have a more nuanced view of failure rather than simply existence or non-existence. Businesses cannot literally die because they have no existence in physical reality. The actors behind firms are the people who run, work for, and supply inputs, all of whom will typically survive firm failures by years. The analogy between business failure and mortality is a useful metaphorical device, but it should not mislead us. Learning what works and what does not, can be gained by trial and error. People do not like to admit mistakes, but the early recognition of mistakes may avert disasters. The knowledge gained by misfortune makes future profits more likely. So while we continue to analogize between firm failure and death, it is a metaphor and is not to be taken literally.
In addition to a nuanced view of failure, we have to view firms in all their complexity. Firms can be thought of as combinations of many subunits acting under the direction of “central planners” or entrepreneurs, who have to decide which units are to be kept, expanded, reduced or shut down. Whether the firm would be more profitable using markets and outside contractors to undertake certain activities rather than producing them in-house is one of the crucial determinants of firm profitability and survival. Early recognition of intrafirm failures is an attribute that managers must cultivate if they (and their firms) are to be successful. For example, the Ford Company once produced its own steel rather than purchasing it from outside suppliers; outside suppliers were cheaper, eventually management recognized that the production of steel was reducing firm profitability (i.e. Ford’s steel mills were “failures”) and disposed of the steel division. Outsourcing firm activities to increase profitability means that management has recognized the failure of within firm production. Recognizing failure is essential to success because it implies that core competencies have been identified. As in the economy at large, in dynamic and growing firms the termination (failure) of sub-par activities are inevitable features of success.

Biological models are relatively widespread in the literature on business survivals and failures. Michael T. Hannan and John Freeman (1977) explicitly incorporate quantitative ecological models into their analysis on the population of firms. In their analysis, firm survival is functionally related to the stability of the environment. Newborns, both human and corporate, are particularly vulnerable to death and failure. Dean A. Shepherd, Evan J. Douglas and Mark Shanley (2000) develop theoretical models that incorporate “novelty” (newness) into the analysis of the risks to corporate ventures. In an empirical study of the survival of corporate ventures Holmes and Schmitz indicate that: “... among businesses with managers who have the same tenure at their business, the probability that a business fails is decreasing in the age of the business. ... [This] suggests that business success [or failure] relies on more than how well the individual [manager] is suited to it” (1995, 1006). Reinforcing the theoretical models of Shepherd et al. (2000) the data reveal that newer businesses have higher failure rates (for any given level of managerial experience). This indicates that managerial competence is insufficient, in and of itself, to explain failure; to understand failures the scope of the study has to be greater than managerial competence. Gort and Klepper (1982, 651) study the evolution of 46 industries; their analysis suggests that the age of the industry, and the diffusion of innovations and knowledge are key considerations in determining success or failure. They conclude (p. 651) that: 1) “New industries generally pass through a stage in which the number of producers declines significantly;” and 2) “... the structure of markets (in terms of numbers and composition of producers) is shaped, to an important degree, by discrete events such as technical change and the flow of information among existing and potential producers.” The pervasiveness of uncertainty in both biological and business environments makes imitation (mimicry) a strategy that successfully reduces environmental hazards in many cases. Armen Alchain (1950) argues that imperfect efforts of firms to imitate other firms may give rise to innovations that reduce risks and increase profits of firms. This is analogous to the random genetic mutations that arise in biological reproduction that produce diversity and may give rise to more adaptive individuals.

Building on this perspective, Jovanovic and MacDonald (1994) argue that the “mass exodus” of failing firms in the American tire industry between 1922 and 1931 is explicable:

As for exit [failure], it is assumed that innovation is stochastic, so that some firms succeed before others. Since innovation lowers marginal production cost, as firms innovate, industry output rises and the product price falls to clear the market. Naturally, this makes the industry less attractive to those incumbents that have yet to innovate. Eventually, they prefer to seek their fortunes elsewhere: they exit. In sum, innovation possibilities fuel entry, and failure to innovate prompts exit. (p. 326)

Along these lines Denrell (2003, 47) states: “... even if performance is entirely random, it is nevertheless likely that an examination of historical data will detect at least some attribute of firms that is correlated with performance.” Historical data and case studies will likely constitute biased samples, because failed firms will be underrepresented. Denrell hypothesizes two groups of firms; one group following a risky strategy, the other a conservative one. The risky group is likely to have many fewer survivors than the conservative group. However sampling surviving firms will reveal greater profitability in the risky strategy group. Generating managerial principles from ob-

**Literature**

The size of the literature on failure precludes a comprehensive review in a single article. Presumably, this is one of the reasons for the special issue of the Journal; the diverse perspectives offered herein bring sharper focus to specific facets of the literature on failure. We review those articles that are most pertinent to the premise of our paper: that failure often serves the advancement of society in ways that are analogous to the role of death in vigorous and evolving biological systems.
Patterns of Failures and Their Contributions to Knowledge and Wealth

A simple definition of failure is in order. We define business failure as when an enterprise has not survived the market test. The market test is one that compares revenues and costs: if revenues do not sufficiently exceed costs to make continuing the enterprise attractive, then it has failed. The enterprise has not supplied goods or services at prices that customers are willing to pay and that allow it to pay for all its inputs plus returns to invested entrepreneurial efforts and capital.

Our definition of “business failure” is similar to Zammuto’s and Cameron’s (1982) definition of “organizational failure”: “failure occurs when an organization exits a population (Freeman, 1982).” The organization-based definition is clearly analogous to “business failure”:

This [organizational failure] can occur for a number of reasons, the simplest being the death of an organization. Failure also can occur through the merger of two organizations, which results in the creation of a new organization (Carroll and Delacroix, 1982), or if a conglomerate divests a particular area of operations and, therefore, exits from the population of interest. (p. 237)

While we do not understand what they mean by the “death of an organization,” they clearly recognize that business failures are typically wealth maximizing. If continuing the enterprise or activity results in lower net costs than outright failure, then allowing a firm or a subunit to fail means that someone made a mistake, or is acting against the best interests of the owners and suppliers of capital to the firm. Beyond that point, we should recognize that some enterprises merit failure. Indeed society would be better off if some firms never existed; such as firms selling elaborate or not-so-elaborate Ponzi schemes, perpetual motion machines, time machines, fountains of youth, get-rich-quick schemes, or other fraudulent enterprises. These activities are criminal or so close to it that the distinctions between them and outright criminal enterprises are too fine for the non-cognoscenti to discern. Even saying that, we have to recognize that the existence of schemes to defraud investors and/or the public increases the rate of return on skepticism and scientific literacy.” Skepticism and scientific literacy may have substantial social benefits beyond protection from fraudulent enterprises. Consequently we dichotomize business failures into two categories. One involves fraudulent enterprises; these have to fail, the only question is when. The other class contains those failures that were not doomed from the onset by their business plans. We all know that business failures impose costs upon the owners of the firm, their workers, and suppliers. Less well known, are the benefits of allowing firms to fail, and fail sooner, rather than later. Whether a particular business failure is socially desirable, or not, depends not only upon the costs, but the benefits as well.

The commitment of resources to any particular activity requires the forsaking of other pursuits leads straightforwardly to a major benefit of the early admission of failure; when enterprises fail, the resources (land, labor, and capital) they were using can be employed elsewhere. Resources used in one venture can not be used simultaneously in others. Societal wealth rises whenever productive inputs are transferred from failed enterprises to others that use the resources in the production of either greater amounts of similar goods, or the production of more highly valued alternatives. Applying this fundamental principle of resource reallocation to failure reveals regularities or patterns that affect the probabilities of success or failure. These patterns are due to: 1) market size; 2) uncertainty; and 3) relative success.

Market Size and Specialization

Adam Smith recognized that specialization is limited by the size of the market. Lower transactions costs (costs of transport, trade, communications, and tariffs) expand the markets in which low-cost producers compete. Higher-cost producers, whether they be within or outside of firms, fail because they do not produce goods and services at prices that are competitive. Some straightforward implications are that: 1) the opening of trade between regions or nations increases the size of markets and is bound to lead to the closure of high-cost producers; 2) declines in the costs of communications favor firms that are more adept at acquiring and utilizing information, this reduces the viability of firms that are less nimble; and 3) an increasing market creates niches for specialist firms that make within firm production uneconomic.

A clear example of in-house production becoming uneconomic is the history of the computer industry. In the early stages of the computer age IBM not only supplied the hardware but also the software (including the eponymous IBM cards). The growth of the computer market allowed specialist firms to supply non-hardware products and services at lower costs than could be provided in-house by IBM. The resulting cost reductions increased the number of computer buyers. Subsidiary units of IBM ceased to exist (failed); the ultimate reason for their failure was the success that IBM had in selling computers expanded
the markets for these subsidiary goods and services. An economic niche for specialized producers came into being and was filled by lower-cost suppliers. Similarly, in contracting industries specialized producers lose customers and revenues. Firms in contracting industries will have to integrate vertically in order to survive. The advent of the automobile severely damaged firms that had specialized in producing inputs necessary for carriage and wagon production. Firms producing harnesses, wheels, and other specialized items found that their markets were contracting and the lower volume of business increased the average costs of their specialized labor and capital. Firms remaining in the carriage and wagon industries found it relatively cheaper to produce many of these items in-house rather than from specialized producers; market exchange and specialization contracted as the industry contracted.

These examples suggest how failures result in feedback effects that accompany and advance economic change. Failures that are a result of lower-cost production convey substantial benefits. Lower costs mean that resources are released to produce other valued goods and services while still getting the output that had been supplied by the higher-cost producers. Paradoxically, lower costs may imply increased or decreased specialization. In-firm production becomes cheaper relative to outsourcing as markets contract; in expanding markets outsourcing production tends to become more economic. Change is constant, what may be a successful strategy under one set of circumstances, may be a failed one under a different set.

Uncertainty and Innovation

The stochastic nature of the business environment provides insights into additional benefits of failures. Trial and error, and learning by doing can lead to business failures when the trials lead only to errors, or when the doing results in little learning. Experimentation is risky, but informative; it is the antecedent to the discovery of new products and techniques. Business failures could be reduced by broad prohibitions against experimentation. If effective, a prohibition would eviscerate novelty, innovation, creativity and diversity. The costs of banning experimentation are themselves prohibitive. No one can be taken seriously who states that material living standards would be higher in the United States if candles and general stores had not given way to electric lighting and shopping malls.

History suggests that the national economies that have grown the fastest were those that have been most open to innovations. The appearance of new products creates an evolving market process where the success of some firms is, in part, attributable to the experiences of the failed firms. The automobile industry in the United States is illustrative. In 1900 the automobile industry in the United States consisted of, at least, fifty-seven separate firms; designs for the automobile were widely divergent. There were horseless carriages with steering pillars; there were steam, gasoline, and electrically powered vehicles; the design and variety of vehicles were astounding. Yet by 1905, higher-priced vehicles had adopted the “French” design (modeled after a locomotive) with an internal combustion gasoline engine in front, a steering wheel and a rear-drive transmission. Lower-priced vehicles copied this model with Ford’s Model T and Buick’s Model 10. Manufacturers of automobiles were market driven, rather than market making. Robert Paul Thomas (1969) estimates that between 1900 and 1910 there were 584 firm entries into American automobile manufacturing and 432 exits (failures). These failures were wealth enhancing because they released resources that were being used inefficiently, and, perhaps more importantly, they provided information concerning the probabilities of success in the manufacture of different vehicle types.

The wisest course of action for a firm within this chaotic environment was to imitate successful firms. First, historically, this involved imitation of foreign imports. Thus, observation of relative success among several firms, combined with a desire to survive, provided sufficient information and motive for firms within the industry to adopt the standard design. It requires little ingenuity to realize that profits will be greater if a firm can produce a similar product for a lower price; such a decision hardly deserves to be called an innovation, since it must be considered the first law of the market place. The trend toward lower-priced automobiles of standard design was an inevitable result of competition within the automobile industry. (p. 147)

An advantage of failure is that it alerts investors to the attributes of firms that are positively correlated with failure, and conversely, success. Simple correlations can serve as guides to future activities, guiding investment away from activities that have been associated with failure, and towards those associated with success. In rapidly changing business environments where uncertainty is the rule, businesses have to be able to utilize information economically. Copying success and avoiding failed strategies are low-cost ways of coping with uncertainty. Armen Alchian (1950) explained not only the pervasiveness of imitation and rules-of-thumb in the business world, but also their major shortcomings:

“What would otherwise appear to be merely customary ‘ortho-
dox,’ nonrational rules of behavior turns out to be codified imitations of observed success, e.g., ‘conventional markup, price ‘followship,’ ‘orthodox’ accounting and operating ratios, ‘proper’ advertising policy, etc. . . . Unfortunately, failure or success often reflects the willingness to depart from rules when conditions have changed; what counts, then, is not only imitative behavior but the willingness to abandon it at the ‘right’ time and circumstances.” (p. 218; emphasis added)

Knowledge is valuable and scarce; learning from mistakes (one’s own mistakes or those of others) and emulating success are, in themselves, valuable rules-of-thumb economizing on the costs of trial and error. Alchian recognized that incremental experimentation may not lead to improvements, but: “Trial and error [becoming] survival or death.” (p. 219)

In evolving and stochastic business environments, failures are statistical certainties. The benefits of failures accrue to the survivors, who may be: 1) the firms within which failure occurs, if failure is recognized in a relatively short order and acted upon; and/or 2) firms that learn from those firms where failure occurs. Surviving firms that have learned from failure tend to be more profitable than they otherwise would have been.48

The lessons of failure can enable surviving owners and suppliers of capital to allocate and husband their resources more wisely; in competitive capital markets risk adjusted interest rates will be lowered, reflecting the reduction in risk and uncertainty that results from increased understanding.

**Pulling the Plug**

Managerial attention is a valuable and scarce resource. The early recognition of failure allows managerial resources to be focused upon enterprises that have greater chances of success. Jack Welch of General Electric was famous for ridding the firm of ventures that were not dominant or near-dominant players in their markets; this was pivotal to his success at General Electric. In sum, the strategy of identifying activities that are failures relative to existing alternatives and pulling the plug in a timely manner is a strategy that is a demonstrated winner.

**Lemon Socialism**

There is a separate type of failure that is not widely recognized as such. If firms fail the market test and the costs engendered by an enterprise are greater than its revenues (and no change is expected), the enterprise will consume all the equity invested and be unable to raise more capital. Capital markets do not typically supply capital to uneconomic firms. But the firm may survive if it is able to attract funding from the public sector. This is termed lemon socialism. An entrepreneur may fail in the private sector, but be successful in convincing the public authorities to take over the “lemon.”49 Entrepreneurial losses will thereby be reduced or eliminated; the entrepreneur is off the hook, and the public is on it.

In the United States municipal transportation systems are obvious examples of lemon socialism; Muncie, Indiana, made famous by Robert and Helen Lynd’s “Middletown” studies, has a good example of lemon socialism. Federal and local governmental subsidies enabled the municipal authorities to operate a fleet of buses that have no passengers almost all of the time. In attempts to increase ridership the transit authority has reduced fares to zero for some groups (students and the elderly). Despite these and other efforts, Muncie buses continue on their routes sans passengers. It is clear that: 1) the services the Muncie buses produce are less valuable than the resources that went into providing them;48 and 2) rather than creating a benefit, the Muncie buses impose net costs by increasing pollution, stress on the streets, and congestion.47

Learning about Failure: A Practitioners Guide

Individuals typically wish to postpone death indefinitely; yet it is the inevitable end for all living organisms. Death may be catastrophic to the individual, but it is not a catastrophe for the species, or society. A dynamic ecosystem requires the replacement of decayed and senescent organisms. Similarly, a healthy economy requires pruning; the termination of un-economic activities. Bankruptcy and failure are ways to prune under-performing business enterprises from the economy.

Beyond dismissing the view that failure is an utter disaster, our perspective exposes patterns whose understanding may lead to greater chances of success and profitability. Entrepreneurs and managers have to be aware of the growth and absolute size of their markets. In large and expanding markets new entrants will appear to serve niche markets. This creates opportunities to expand profitability by farming out some functions that had been done in-house. Expanding markets are also a signal that specialized production may be viable; this is a signal for entrepreneurial investigations. Conversely, in contracting markets niche producers face hard times, and vertical integration becomes more attractive.

The recognition that uncertainty is pervasive provides practical insights that are recognized but they bear repetition. Navigating in an uncertain world means that unexpected contingencies arise frequently. We cannot expect the unexpected, but in an uncertain world we can attempt to make plans that are more rather than less flexible. For example, firms may want to acquire capital that can be operated at moderately low costs over a wide range of outputs, rather than specialized equipment that operates at very low costs over a very limited range of outputs. Liv-
Perseverance and optimism are valuable and necessary entrepreneurial traits but they have to be governed by knowledge and realism. Risk-taking in the absence of knowledge and a realistic assessment of the probabilities is simply gambling. While some gamblers do get rich (think of the mega lottery winners), the vast majority simply become poorer. On the other hand, the operators of casinos and lotteries do get wealthier because they have realistic notions of the probabilities of success and failure. Successful management recognizes that it is not omniscient, and that it can (and will) make mistakes. The recognition of failed enterprise and its termination are necessary prerequisites for managerial success.

Notes

1. An exception to this generally dismal view of failure is an article by K. Mathew Wong (2003); he argues that bankruptcy will be viewed by management as a viable business strategy. He recognizes the obvious moral hazards, and observes that the data support the theoretical conclusion that risks are hedged more when management has significant equity in the enterprise.

2. This is a widely acknowledged consequence of a "properly functioning" market system, not only in economics but also in sociology. W. Richard Scott, a sociologist, explained that "...the market provides a mechanism for linking the interests of organizational participants and external constituencies in such a manner that the former do not prosper unless they serve the interests of the latter. The effectiveness of market-controlled organizations is directly determined by their consumers: if their interests are satisfied, then they will continue to supply the inputs required by the organization; if not, then they can withhold their contributions, causing the organization to suffer and perhaps ultimately to fail" (1992, p. 349).

3. Ronald Coase (1937, pp. 390-391) explained the existence of the firm this way: "The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism... It is true that contracts are not eliminated when there is a firm but they are greatly reduced. A factor of production (or the owner thereof) does not have to make a series of contracts with the factors with whom he is co-operating within the firm, as would be necessary, of course, if this cooperation were as a direct result of the working of the price mechanism."

4. Other examples of divestiture are: 1) the Ball Corporation (one of the Standard and Poor 500 firms) was famous for its Ball jars used in canning; it divested its jam making division, and is now in metal fabrication and aerospace; 2) Primerica (suggested by an anonymous referee) had its genesis in the American Can Company; it no longer makes cans, instead it concentrates on financial activities.

5. An anonymous referee suggested that this is in keeping with Adam Smith’s advice: “It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make at home what it will cost him more to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for. What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom” (quoted in Heilbroner, 1986, 265-66).

6. For a more comprehensive review of the literature on organizational decline see William McKinley (1993). For a history and comprehensive treatment of contrasting organizational paradigms (the “rational,” the

7. They echo Frank H. Knight’s (1921) classic economic analysis of the motivation behind the existence of firms. A wealth of evidence support the existence of a positive correlation between firm age and survival probabilities in general, see: Dunne, Roberts and Samuelson (1989), Baldwin and Gorecki (1991), and Audretsch (1991). Stinchcombe (1965, pp. 148-150) provides reasons for the “liability of newness”: 1) the newness of roles in new organizations; 2) the “high costs” of: inventing new roles, determining “mutual relations” between new roles, and “structuring the field of rewards and sanctions so as to get maximum performance;” 3) the greater reliance in new organizations upon social relation between and among strangers; and 4) the absence of “ties” (e.g., personal loyalty) between “consumer and producer.”

9. Paul DiMaggio and Walter Powell (1983) provide an explanation of how mimetic processes lead to institutional isomorphism. They (p. 151) point out that “Modeling (mimecry of organizational forms by other organizations), as we use the term, is a response to uncertainty.”

10. Casual empiricism confirms Denrell’s point: In searches of the web using Google on May 26, 2004, the number of “hits” from searching on “business success” was 12,400,000, whereas the number of “hits” stemming from “business failure” was only 7,420,000.

11. Conversely, if the sample were taken from all firms that followed the two strategies, the sample group of firms following conservative strategy would have more survivors. Whether their mean return was higher than the entire risky group strategy is problematic. Regardless, sampling all the firms in the two strategic groups will make the conservative strategy appear relatively better than if only surviving firms were sampled.


13. Organizational theory offers a number of different perspectives on decline, adaptation and death. Again, in this paper, “failure” refers to activities that do not pass the market test of having generating revenues sufficiently larger than costs. The “enterprise” that fails can be either the firm or a subunit of the firm. This is a definition of failure that can cover both adaptation and firm death (bankruptcy). As an anonymous referee pointed out, other definitions of failure can “muddy the waters,” making organizational decline, adaptation and death difficult to distinguish.

14. We recognize that time and the longevity of capital play explicit roles in the timing of the closure of failed firms. An enterprise that requires a substantial investment in highly specialized capital may continue to operate for years even after it has been discovered that the returns to invested capital will never be sufficient to pay a market return on the capital. The rail link between France and Britain in the tunnel underneath the English Channel falls into this category. The rail link will continue to operate as long as: 1) the tunnel lasts, and 2) its revenues are greater than its out-of-pocket expenses.

15. A key difference between the Zammuto’s and Cameron’s “organization failure, and our “business failure” is our emphasis upon the benefits and costs of an enterprise.

16. Zammuto and Cameron focus upon “how changes in the environment may lead to decline for the preponderance of organizations within a given organizational population.” (p. 225) They provide an “integrative model” that provides insights into situations “where many organizations within a population encounter decline.” (p. 225) Their analysis synthesizes different perspectives by differentiating between declines that stem from a “change in niche size” and those that stem from “a change in niche shape.” This gives rise to a “typology of environmental decline” which they then use to categorize and analyze population dynamics that attend “r” and “K” strategists.

17. As Sridharan, U., Dickes, L., and W. R. Caines (2002) point out, the failure of Enron has led to heightened awareness regarding potential conflicts of interest.

18. An anonymous referee correctly noted that this argument is more problematic during a period such as the Great Depression in the United
States when the percentage of unemployed approached 25% of the labor force.

19. George Stigler (1951) explains why vertical “disintegration” is to be expected in expanding and maturing product lines, whereas vertical integration is more likely in the markets for novel goods and, paradoxically, older goods that are in declining markets.

20. We must remind students and the public that the function of an economic system is to provide goods and services at the least cost. Jobs are inputs into production, not a goal. The Garden of Eden offers no employment opportunities.

21. An anonymous referee pointed out that one reason some European countries have unemployment rates substantially greater than that of the United States is that the labor laws of these countries make it costly to discharge unwanted workers. Without these laws labor markets would be more flexible and employment experimentation less expensive.

22. “The keys [to economic development] . . . are the laws and rules—the institutions that generate dynamic forces for progress . . . In advanced economies, laws provide positive incentives to spur enterprise and help forge markets using commercial legal and property rights systems that allow new scientific breakthroughs (technologies) to realize their full commercial-social potential.” (Walton and Rockoff 2005, p. 21)

23. An article by Robert Paul Thomas (1969) effectively demolished the intellectual basis for relying upon individual entrepreneurial histories to explain the economic growth of the United States.

24. Further research could empirically assess the discounted present value of the benefits of learning from failures.

25. This is a business failure according to our definition because it has failed the market test. This contrasts to Zammuto’s and Cameron’s definition of failure as exit; under lemon socialism because the enterprise continues, it would not be identified as a failure under their format.

26. If this were not so, private firms would not have given up the franchise and, there would have been no necessity for governmental intervention in the form of subsidies.

27. The cessation of subsidies to uneconomic municipal transport systems in the entire United States would bring immediate benefits. Federal and municipal matching expenditures would be reduced, which could lead to lower taxes, or more desirable expenditures; both would increase real living standards. Because a large portion of transport expenditures are covered by the federal subsidies, there are few incentives at the municipal level to constrain spending. Beyond the excessive net costs of public transportation systems, there are other negative consequences of these uneconomic subsidies. These impose significant costs upon functions in which government activities are cost effective and legitimate (such as expenditures on public health), and it can undermine the voluntary compliance by the public with the tax codes.

References


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Loosening the knots of segregation
By Ashish Gupta

Fifty years ago, on May 17, 1954 at 12:50 p.m., Chief Justice Earl Warren began to read the words of a landmark decision that would influence the racial, social, political, and educational landscape of America. The highest court in the land unanimously declared in Brown v. Board of Education that racially segregated public schools were inherently unequal and, as such, violated the 14th Amendment to the U.S. Constitution.

People had hoped that Brown v. Board of Education — a moment of true significance in American history — would bring in equity in education for black children. Although the Brown decision began the long but slow process of untying the knots of racial segregation in the United States, the task is far from completion and there are many miles to go.

Today, 50 years after Brown and 40 years after Civil Rights Act, America is still struggling to become a color-blind society. No doubt, significant advances for blacks have been made in the last half a century [1]. A six fold increase since 1970 in the number of black elected officials nationwide; the number of black households earning more than $50,000 a year tripled since 1964; the workplace and media images have been integrated to quite an extent.

However, these advances hide the dramatic gaps that still exist in key areas important for the advancement of blacks: education, income, healthcare, housing, and social justice.
Fig. 3  Furniture page

Fig. 4  Wordpress Dashboard
Fig. 5
Write article page

Fig. 6
Edit time stamp and add authors
Fig. 7
Write furniture page

Fig. 8
Manage articles
Fig. 9
Load unlisted file

Other Files
To edit a file, type its name here. You can edit any file writable by the server, e.g., CHMOD 666.

Note: of course, you can also edit the files/templates in your text editor of choice and upload them. This online editor is only meant to be used when you don’t have access to a text editor or FTP client.

Fig. 10
Edit file
MAJB online style guide

Introduction:

The Mid-American Journal of Business online version runs on a slightly modified version of the Wordpress personal publishing software. This software, originally designed and used for personal weblogs, is ideal for a content management system (CMS) for a few reasons. First, Wordpress runs on PHP and MySQL and uses CSS, powerful open source systems which also allowed the new site to be developed at practically no cost.

PHP is a coding language for writing server-side scripts. When a visitor accesses a PHP document on the server, the server reads it and generates a plain HTML document and sends it to the visitor's browser. The visitor only sees the document that has been generated by the server. For this reason, PHP documents must be tested on a server.

MySQL is a database for storing information. With the database, each article in the journal exists in one place but can be pulled up by a PHP command in an unlimited variety of ways. In addition, once the archives of the journal have been filled out articles from all back issues of the journal, it will be a complete database containing all of the text ever printed in the journal. If, at a future date, the design of the journal needs to be updated, the archives will not need updating.

The design of the online version of the journal is controlled by CSS, or Cascading Style Sheets. The CSS document contains layout and design information that every page of the web site refers to in order to display uniformly. A change made to the CSS document will be reflected on every page. For all practical purposes, the CSS file will not need to be updated except for one thing: the issue-specific color.

Wordpress is an open-source weblog platform developed as the continuation of the b2 platform. It runs on PHP and MySQL and the layout is controlled by CSS. Although a few adjustments have been made to the code, the basic operation has been left in place because it provides most of the functionality that is needed. Visitors can leave comments on any article. The articles can be organized by category or issue. The archives can also be fully searched from the front page. In addition, users can register and then submit articles directly from the website.

Wordpress provides a browser-based back end which allows the site to be updated from any computer that uses an internet browser. This guide recommends using the Firefox browser on all platforms when performing updates. This browser-based system requires knowledge of a few HTML tags, but the bulk of it will be WYSIWYG.

It will be advantageous to the person who will be updating the MAJB website to familiarize themself with the Wordpress system, especially the backend system, located at http://mcobwin.bsu.edu/majb/wp-admin/.

There is also an excellent online reference guide for Wordpress located at
http://codex.wordpress.org and excellent support forums located at http://wordpress.org/support/. Also, any questions may be directed to the original designer of the MAJB site at ajzeigert@gmail.com.

**Updating the content of the website:**

There are six main tasks involved in updating the website. In addition, this document includes instructions on how to fill the archives with articles from past issues.

I. Post articles  
II. Determine which articles appear on the front page  
III. Update issue number  
IV. Update theme color  
V. Update any "static" pages  
VI. Updating latest issue image in sidebar  
VII. Add articles from old issues of the journal

**I. Post articles**

To create a new post, navigate to http://mcobwin.bsu.edu/wp-admin/. You may be asked for login information. Once logged in, you will be redirected to the Dashboard page. This is a page with general information on Wordpress and also a list of your latest posts and comments. On the navigation menu, press the Write link. You are now ready to post the article.

The first thing to do is to open the original document (usually a Microsoft Word document) and to copy all of the text, then switch to the Wordpress Write page and paste everything into the Post field. It may be necessary to convert the Word document to plain text before copying and pasting.

Write the title of the article in the Title field. In the Excerpt field, use the description from the Contents page of the print edition of the MAJB. Next, go through the article and make sure there are no indents, extra spaces, leftover text, or any otherwise unimportant words. The only text that should appear in the Post field is the body of the article.

There are several steps involved in formatting an article for the website. The first involves adding a few HTML tags to the text in order to format it correctly. Next the post date must be altered so the articles appear in the correct order. The article must then be applied to one or more categories, including the category which identifies the issue the article appears in. Lastly, the author(s) of the article must be added in a special field. Begin by adding the HTML tags to the text.

*Level heading tags*

The level heading tags correspond to the level headings of the article. There are three
levels of headings available in the style of the website. They are H1, H2 and H3. These headings should be defined by the author in the submitted article.

To make a line of text appear in the proper heading, place the tags around the text, as in the example below:

```html
<h1>Introduction</h1>
```

The chevrons contain the coding that makes the browser display the text according to the proper style. In the second set of chevrons, the forward slash "closes" the tag, so only the text between them is affected. To style text with second or third level headings, simply replace `<h1>` with `<h2>` or `<h3>`.

**Anchor links and tags for references**

At the end of most articles there are references. For the MAJB website, the mention of the reference will be linked to an anchor corresponding to the reference listing at the bottom of the page. The references at the bottom of the page will also be styled in a smaller text size.

In order to style the text as small, simple add the tag `<small>` at the beginning of the references and close the tag with `</small>` at the end of the references. This serves to separate the references from the body of the article.

To add anchors links to the articles, use the tag in the following example:

```html
<a name="anchor1" id="anchor1">Doe, John. The Essentialness of Acadamia.</a>
```

Both the `name` and `id` tag identify the individual anchor. Both tags do the same thing, but some older browsers will only recognize the `name` tag, so for accessibility's sake, the MAJB uses both. Give the anchors names that will be easy to remember and are associated with the particular reference. You will have to remember these tags later.

Now you have to link the references in the body copy to the reference list at the bottom of the article. In order to do that, you must use the `<a href>` tag, also known as a link. Contextual references are usually identified by the author's last name. So when the tags are added, a reference within a sentence will appear like this:

```html
According to <a href="#anchor1">Doe and Smith</a>, these findings are irrevocable.
```

These findings are therefore irrevocable (<a href="#anchor1">Doe and Smith</a>).

The anchor `id` is prefixed with a hash mark # in the link to the anchor. Once all of these
tags are in place, the article will be more interactive. As a user is scrolling through the story and encounters a mentioning of an article he or she doesn't recognize, a click on the link will take them to the full reference located at the bottom of the article.

Miscellaneous other tags

It might be necessary to use the bold and italic tags, which can be applied simply by surrounding the desired text with the appropriate tags. For example:

<i>This is the tag for italic text</i>

<b>This is the tag for bold text</b>

Listed text may also need to appear in the article. There are two types of lists in HTML, ordered lists and unordered lists. Ordered lists will be listed by number in the order they are written. The coding for ordered lists goes like this:

<ol>
  <li>This would be item one</li>
  <li>This would be item two</li>
  <li>This would be item three</li>
</ol>

This coding results in something that looks about like this in a browser:

1. This would be item one
2. This would be item two
3. This would be item three

An unordered list is much the same, except the numbers are replaced by bullets, so there is no defined order. The coding for an unordered list goes like this:

<ul>
  <li><em>This would be item one</em></li>
  <li><em>This would be item two</em></li>
  <li><em>This would be item three</em></li>
</ul>

The unordered list coding ends up looking something like this:

• This would be item one
• This would be item two
• This would be item three

Use lists only if the author of the article has defined the text as a list.

Adding categories
Adding categories in Wordpress is as easy as checking a box. During any point while you are working on an article, you can use the Categories window to the right of the Post field to select the categories in which the article appears. Now, the categories are being used for two things: To divide the articles into their separate issues and organize them by subject.

Before you check any categories, make sure that you uncheck the General category.

Next, scroll down the list and check the volume number, then scroll to the top and check either Number 1 or Number 2. This will place the articles in the correct location in the archives.

Then scroll up to the Subject list of subcategories and check all subject words that apply. These checked boxes will be saved when you click the Save or Publish buttons.

*Post date*

The post date of the article is located just below the text input field. If it is not visible, click on the button that says "Advanced Editing >>." You must check the box that says "edit timestamp" in order for the changes to be saved. The date of the post is not important; the date and time will not actually appear on the website. The date and time does, however, determine the order in which the articles will be displayed. The easiest way to do this is to post all of the articles to the same date, usually the day you are posting them, then change the times to 12:00 a.m., 12:01 a.m., 12:02 a.m., etc. Be sure that the post that you want to appear at the top of the page has the latest post, and the one you want to appear at the bottom has the earliest post.

*Adding authors*

Adding authors to the articles is done using the Custom Fields option on the individual Post page. Authors must be added individually. To add an author, scroll down to the "Add a new custom field to this post" heading. In the drop-down menu, select the_author. Leave the Key field blank, and then put the author name into the Value field. Then click on the Add Custom Field button. This adds the first author.

Once the page refreshes, follow the same instructions to add additional authors. Their names will then automatically appear with the article on the website.

When you are finished inputting all of the information, click on the Publish button. If you wish to stop at any time during the process, save your progress, and come back, click the Save As Draft button.

*Managing and editing articles*

Once you click the Publish button, the article will appear on the front page of the
II. Determine which articles appear on the front page

Now, most issues of the MAJB have around 10 articles. The website is set up to display the most recent 10 posts on the front page. If there are ever more or less articles in a journal, you will need to change the default number of posts that appear on the front page. To do this, you again need to go to the Wordpress backend. On the navigation menu go to Options > Reading and change the number next to the words "Show at most" to the number of articles appearing in the issue of the journal you are posting. Now click on the Update Options button to save the changes. The front page should now display the correct number of articles.

III. Update the issue number

Updating the issue number involves opening one file and changing the text, all of which can be done in the Wordpress backend. Begin by logging in to http://mcobwin.bsu.edu/majb/wp-admin/. Then click on the Manage navigation link. In the subnavigation links that appear, click on Files. On this page you can edit any actual document on the website. You are looking to alter header.php. If this file is not listed in the column to the right of the editing field, scroll to the bottom of the page, and under the heading Other Files, put the following in and click the Edit file button:

```
wp-content/themes/liberated/header.php
```

You are now looking at the page that contains the information displayed at the top of the MAJB website. If you scroll down in the editing field, you will come across a bit of code that looks like this:

```
<div id="issue">
  <p class="issuedate">Spring 2005</p>
  <p class="issuenumber">Volume 20, Issue 1</p>
</div>
```

In order to update the website with the current information, simply edit the information between the HTML tags. DO NOT EDIT anything that appears between `< >`. Then click the Update File button, and the website will now reflect the change.

IV. Update theme color

Each issue of the journal will have a theme color that will be reflected in both the print and online versions. Once the color for the print journal has been selected, find the
hexadecimal equivalent and write it down. You will now be editing one more document on the Files page.

In the column on the right, there might be a link to the Stylesheet page. If there isn't one, again scroll down to the Other Files heading and put the following into the box:

```
wp-content/themes/liberated/style.css
```

This will open the style sheet, where the look of the entire journal is controlled. After all of the meta information at the beginning of the file, look for a piece of code that looks like this:

```
/* theme color - change only here */

#content a, #sidebar a, .issuedate, .issuenumber{
    color: #009900
}
```

Replace the hexadecimal color code on the stylesheet to the color for the current journal. Click on the Update File button. The theme color should now be reflected throughout the site.

*A hexadecimal color code is a 6-digit code that represents a color. You should be able to find this in InDesign.*

V. Update any "static" pages

The static pages in Wordpress aren't technically static, because they are stored in the database and created dynamically like posts. The static pages are anything that appears under the "Pages" heading in the sidebar on the MAJB website.

Under the Manage link in the Wordpress backend, there is a link to a page that allows you to manage Pages. The pages will be listed much as they are listed on the Posts page. To edit a page, simple click on Edit link and edit it as you would an article.

VI. Update latest issue image in sidebar

To update the latest issue image in the sidebar, first open the InDesign document that contains the cover. Export as a JPEG on the highest setting to your desktop.

Now, connect to the MAJB server. The address is:

```
smb://10.192.28.48/majb$
```

In the images folder, there is a Photoshop droplet. Copy this to your desktop. Now, drag the JPEG you just exported from InDesign to this droplet. The droplet will resize
the image and add an outer glow and save the document. Change the name to currentcover.jpg. Now, copy the new document into the images folder on the MAJB server. Overwrite the old file. The image should now be updated.

VII. Add articles from old issues of the journal

To add articles from old issues of the journal, follow the same instructions as you would for current articles, only change the timestamp to a date that is close to the publication date of the original print journal. Remember to change the times so the latest post is the first article you would want to see from that journal.

In addition, be sure to check the appropriate categories for the articles, including subject word and Volume and Number.