

# THE TAO FOR CEOs AND INVESTORS

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MANAGING AND INVESTING WITH THE I CHING

# THE TAO FOR CEO'S AND INVESTORS

A Book of Ethics  
The Mandate of Heaven  
The Value of the Mandate of Heaven

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## A BOOK OF ETHICS

The I Ching is a book of ethics.

It teaches us that the practice of virtues is the WAY (TAO) to become an ideal (Superior) man.

Indeed, such a high ideal is not only possible, but attainable. Confucius became one of the wisest men the world has ever known by practicing the virtues and one of the most revered figures in the history of mankind by teaching others how to practice them.

Why did Confucius love the I Ching so much and why did he dedicate such an important part of his life to study it? Because of the I Ching's emphasis on ethics and virtues. That is, for the same reasons the world so desperately needs it today.

As a book of ethics, the I Ching instructs us on the way (TAO) we should behave during the good as well as during the bad times.

During the "seven fat cows" Time-Space period (Yang), the Oracle demands we should be humble and thrifty to prepare for the inevitable arrival of the downturn. And during the "seven sleek cows" Time-Space period (Yin), the Oracle demands we should be hopeful and steadfast to prepare for the inevitable arrival of the upturn. The correct attitude, then, is to be aware of the cyclicity of the Universe: living virtuously in the present while preparing for the future.

Warren Buffett easily comes to mind. During his Yang Time-Spaces, he has always been humble by never bragging about his massive wealth and he has always been thrifty by always living in his modest 50 year old home. Thus, he prepares for the inevitable arrival of the downturn (be fearful when others are greedy). And, during his Yin Time-Spaces, he has always been hopeful that the cycle will eventually turn positive and he has always been steadfast in his adherence to his principles. Thus he prepares for the inevitable arrival of the upturn (be greedy when others are fearful).

Compare that with the shameful behavior of the Wall Street bankers. During their Yang Time – Space, they were proud, arrogant, greedy and wasteful, seeking more gains regardless of who was harmed, buying fabulous toys such as jets and mansions and throwing obscene parties to flaunt their wealth. And during their Ying Time-Space, they went on their knees begging the government to save them, showing signs of despair instead of hopefulness and of an erratic and shameful behavior instead of steadfastness. Many financial institutions come to mind but Goldman Sachs has become the classic example of unethical behavior; an unethical behavior which unfortunately has only brought about mostly superficial changes based on emotional responses such as the Dodd – Frank Act, the Occupy Wall Street movement and Harvard's new courses on ethics. Will such changes save us from the next crash or financial collapse?

This manual on managing and investing with the I Ching is also about ethics. It is about studying the wisdom of the past, understanding its code of ethics and applying it to the present so that we may become better persons and thereby better CEOs and investors.

The I Ching says: *"In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters. The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past".*

## THE MANDATE OF HEAVEN

There is a wonderful story of a small village that was experiencing terrible weather. The village elders sent for a famous monk to calm the storm. When he arrived, he locked himself alone in a house and remained there for three days. When he came out, the storm had passed. People were curious and wanted to know how he had calmed the storm. He said that the reason why there was such a heavy storm in the area was because there was a lack of harmony in the village. His job was first to find harmony within himself and second to vibrate in unison with the universe so as to bring harmony to the entire village. It was the harmony which calmed the storm. The same harmony everyone would feel for miles around when the Buddha would visit a village.

The job of the CEO is very similar to that of the monk. If a corporation is going through difficult times, it is because the employees do not vibrate in unison. All that is needed is a CEO who will first find harmony within his own soul and then bring harmony to the entire corporation. This is something Leo Apotheker could not do for Hewlett Packard. Everyone knows there is no harmony in HP. One scandal after another has left the employees angry, disappointed and in despair. What is really needed is a leader who, like the monk in the story, has harmony within so that he may bring harmony without. The role of the BOD is to find such a CEO. HP's BOD failed because Apotheker had no harmony within and could not create harmony without (Read Hexagram 25). On the other hand, for instance, Michael Dell not only has the inner harmony, but he has the Mandate of Heaven to carry out a Revolution (Hexagram 49); that is, to transform Dell from a computer company to perhaps a service provider (Read Dell's Hexagram). The I Ching will show us in 130 corporations (Dow and QQQ) and their respective Time-Spaces which CEO has the Mandate of Heaven and which does not. We will see for instance, why the Wintel (Microsoft/Intel) combo no longer is the best option for purposes of investing and why the ARM Holdings/Google combo is a better investment.

The I Ching says: *"When the quiet power of a man's own character is at work, the effects produced are right. All those who are receptive to the vibrations of such a spirit -, will then be influenced. Influence over others should not express itself as a conscious and willed effort to manipulate them. Through practicing such conscious incitement, one becomes wrought up and is exhausted by the eternal stress and strain. Moreover, the effects produced are then limited to those on whom one's thoughts are consciously fixed."*

The Superior CEO unites the same long lasting qualities within with the ones he wants to project without. That is, he has unity of body and spirit. He recognizes he must be one within (himself) if he wants to be one without (the corporation). He recognizes the Bible is right: A house divided cannot stand. A CEO who is not in harmony with his own self because he lacks emotional intelligence is bound to hesitate and make mistakes. The Superior CEO conquers himself in order to be firm in his purpose. If he cannot conquer his own self (his fears, doubts, weaknesses), how can he conquer or lead others? What kind of direction will he give his corporation if he changes his mind all the time?

Few CEOs could possibly believe that cyclical forces beyond their control or comprehension either assist or oppose them. They all believe they can out manage any problem by their sheer will and intellect. Such pride makes the angels weep. They should realize it is the other way around. The Mandate of Heaven is of the utmost importance. The only reason Heaven places an executive in the position of CEO is so that he may execute the Mandate of Heaven. Only the humble CEO understands this and acknowledges it.

In 1999, Fortune magazine named Jack Welch Manager of the Century, yet the two policies that made Jack Welch famous and GE grow many times in value were not his own. The first was Peter Drucker's idea – stay only in those industries where you hold the number 1 or 2 positions. And the second was Motorola's (Six Sigma) which he successfully and with a vengeance implemented in GE to improve quality, to lower costs and to increase profitability. If the two ideas were not his own, then why did Fortune magazine name Welch Manager of the Century? I would imagine it was because he successfully "Returned" GE to its former glory. And that is exactly what the I Ching said he would do (Hexagram 24, the Return of the Light) when he was elected CEO. The Mandate of Heaven was primary. Implementing someone else's ideas was secondary. Was he smart (Earth) or was he blessed (Heaven)? No doubt he was smart, but so what? There are thousands of smart CEOs who fail. Immelt, the executive Welch picked to succeed him as CEO of GE is very smart. But he does not have the Mandate of Heaven and that is the reason why he has failed as evidenced by a 50% drop in the value of the GE stock since his appointment. Not matter what he does; he simply lacks the Mandate of Heaven. Period. (Read chapter On Management). And that is the beauty of it all – no CEO can buy, bribe, intimidate, influence or plead his way to success. Like the inner prayer of the HEART (Philokalia), the Mandate of Heaven is Heaven sent.

CEOs should take very seriously the expression "you should thank your lucky stars". They should be paid millions for having the Mandate of Heaven and not for their smarts. Perhaps someday, Jack Welch will thank his "lucky stars" in public and admit he had Heaven on his side.

Because the Mandate of Heaven is of the utmost importance, the first thing a BOD should ask is if the candidate for CEO has it.

The I Ching says: *"The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing".*

Every Board of Directors chooses a Time-Space for the corporation when they elect a CEO. They choose the Time-Space rather than create it because all the Time-Spaces imaginable already exist in the Universe as Quantum physics holds. The I Ching is a tool that allows the BOD, or anyone else for that matter, to know if a Time-Space will be positive or negative. In the hands of the BOD, the I Ching is an extremely powerful tool that will help them make the right choice. For instance, had the BOD of General Electric used it, they would have elected McNerney instead of Immelt, or had the BOD of Merrill Lynch used it, they would have elected Win Smith instead of Stan O'Neal. In the first case, there is nothing wrong with Immelt. It just was not his Time-Space. In the second case, however, the Oracle spoke very eloquently about O'Neal's meanness and darkness of spirit (see On Management).

For the small investor, the I Ching is a tool that protects him from the mistakes of the BOD. It also levels the playing field and puts him on the same level with the other Oracle (of Omaha) - Warren Buffett. Had the small investor sold the GE stock when Immelt was elected, as the I Ching advised, he would have avoided a 50% loss of his investment and kept the gains that Jack Welch and his favorable Time-Space had given him.

Indeed, the Universe is more than friendly. It is kind. The Universe has given the small investor a powerful tool to protect him from the stupidity of the BODs and the frauds of the Goldman Sachs of the world.

## **THE VALUE OF THE MANDATE OF HEAVEN**

While oil creates trillions of dollars for the Arab nations, and cheap labor creates trillions for the Chinese, and raw materials create trillions for the emerging nations, and technology creates trillions for the developed nations, and the Federal Reserve creates trillions out of thin air, the imperative question is where to put all those trillions of dollars?

To answer that question, we must ask: how many people have the Mandate of Heaven to start or to manage a business? The answer is: very few. The sad truth is that there is a glut of money floating around the world and very few places to put it. The fact that the Chinese prefer to keep their trillions in US Treasuries rather than buy General Electric is very revealing. They study, recognize and revere the Mandate of Heaven. In my 44 years of helping people with the I Ching in their decision making process, I have also learned its true value. I have seen so many lose millions (in all kinds of industries and business) because they thought they had the wealth and the talent to set up a business even though they lacked the Mandate of Heaven.

Such Mandate cannot be forced. The FED like the BOJ or the ECB can keep the interest rates at 0% for many years to force people to invest. Yet, the investors will not move. They instinctively know that even though there might be a glut of money and perhaps even of talent, there is a lack of the Mandate of Heaven in the world.

It is not an issue of money. It is not an issue of talent. It is not an issue of keeping interest rates low and inundating the markets with liquidity by implementing the infamous Quantitative Easing in versions 1, 2, 3 or 4. It is an issue of Heaven giving someone the blessing or the Mandate to execute an idea. Where can we find another Jobs, Gates, Ellison, Dell, Jack Welch, etc.? How many are there in this world? And how easy is it to find them? When Warren Buffett says he prefers stocks to gold, he does not mean he prefers any stock. He means he prefers those stocks of corporations run by CEOs who have the Mandate of Heaven. He knows who they are. Maybe he is a real I Ching Master and does not know it in the same way Ray Dalio is also a real I Ching Master (read Bridgewater's Principles and compare them with the I Ching's).

I know it is difficult to accept it, but there are very few good managers in this world who can successfully manage a business. Furthermore, there are a lot of foolish wealthy people who pretend to be good managers only because they have the money and the education. Many refuse to accept they lack the Mandate of Heaven. As I said, I am tired of people asking me about setting up a business, consulting the I Ching, getting a negative opinion from the Oracle and watching how they continue to carry out their projects and fail miserably just as the Oracle had predicted. Why waste millions in capital by insisting on executing projects which the I Ching had already predicted would fail, is one of the mysteries of the Universe which I have yet to understand. The fact that probably 80% of startups will go broke in the first four years of business should make people realize the Mandate of Heaven is of the utmost importance.

I have had the privilege of witnessing thousands of cases in the last 44 years:

- Personal Cases: the purchasing of properties, the setting up of businesses, the relocation from one town to another, the choosing of a partner business or romantic one (e.g. I have no doubt the Oracle would have found the right lover for Adele and she would be very happy; but then again, perhaps the world would have never heard Rolling in the Deep). In any case, the categories related to the personal cases are just too numerous to count them here.



- Investment Cases: the bankruptcy of many corporations including Pam Am (Hexagram 23 – Splitting Apart) or the demise of such icons as Sun Microsystems and Merrill Lynch.
- Management Cases: the performance of thousands of CEOs and their mistakes such as the failure of the merger between ATT and NCR because they lacked Fellowship:
  - 0 Six in the second place means: *Fellowship with men in the clan. Humiliation. There is danger here of formation of a separate faction on the basis of personal and egotistic interests. Such factions, which are exclusive and, instead of welcoming all men, must condemn one group in order to unite the others, originate from low motives and therefore lead in the course of time to humiliation.*
  - Nine in the third place means: *He hides weapons in the thicket; He climbs the high hill in front of it. For three years he does not rise up. Here fellowship has changed about to mistrust. Each man distrusts the other, plans a secret ambush, and seeks to spy on his fellow from afar. We are dealing with an obstinate opponent whom we cannot come at by this method. Obstacles standing in the way of fellowship with others are shown here. One has mental reservations for one's own part and seeks to take his opponent by surprise. This very fact makes one mistrustful, suspecting the same wiles in his opponent and trying to ferret them out. The result is that one departs further and further from true fellowship. The longer this goes on, the more alienated one becomes.*
- Political Cases:
  - The failure of Saddam Hussein's invasion of Kuwait:  
(Hexagram 56 - The Wanderer) Nine in the third place means: *The wanderer's inn burns down. He loses the steadfastness of his young servant. Danger. A truculent stranger does not know how to behave properly. He meddles in affairs and controversies that do not concern him; thus he loses his resting place. He treats his servant with aloofness and arrogance; thus he loses the man's loyalty. When a stranger in a strange land has no one left on whom he can rely, the situation becomes very dangerous.*
  - Bill Clinton's women related problems:  
(Hexagram 54 - The Marrying Maiden) *THE MARRYING MAIDEN. Undertakings bring misfortune. Nothing that would further. A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*
  - George W Bush's inexperience:  
(Hexagram 4 Youthful Folly) *YOUTHFUL FOLLY has success. In the time of youth, folly is not an evil. One may succeed in spite of it, provided one finds an experienced teacher and has the right attitude toward him. This means, first of all, that the youth himself must be conscious of his lack of experience and must seek out the teacher. Without this modesty and this interest there is no guarantee that he has the necessary receptivity, which should express itself in respectful acceptance of the teacher. This is the reason why the teacher must wait to be sought out instead of offering himself. Only thus can the instruction take place at the right time and in the right way.*

Why do so many CEOs fail so miserably when they know so much about management theory? Because management theory is an incomplete tool which lacks knowledge of the future. That is, because it relies on the past, it tends to apply one theory to every condition. They call this the man-with-a-hammer syndrome: to the man with a hammer, every problem looks like a nail. Management theory, for instance, could never imagine, admit or even take into consideration the future Time-Space the BOD chose for the corporation when they selected the CEO.

Management Theory just assumes the BOD somehow chose the right CEO. It assumes that to select the CEO, the BOD hired a consulting firm which is supposed to be full of management experts and paid them a fortune to project the future as if consulting firms were oracles. The sad truth is that the consulting firms might pretend to be oracles but they are not oracles. The I Ching is an Oracle, one that can foretell the future Time-Space of the CEO and of the corporation, one that can show the BOD what will happen if a particular CEO is chosen. Only the I Ching can show the BOD what is wrong with the corporation, how that condition came to be, how to fix it and, what is of the utmost importance, whether or not the CEO has the Mandate of Heaven to fix it.

Can any management theory do all that?

The same is the case with Wall Street analysts. They write about the future of the corporations as if they were oracles. They base their opinions on the past as if studying the past guarantees knowledge of the future. If an analyst wants to know the future, he should ask an oracle and stop pretending to be one.

Even the FED pretends to be an oracle. By projecting to freeze the interest rates for the next three years, they are saying they can predict the future of the inflation rate. Of course to them it is easy to always report a low inflation rate because as inflation increases they just keep on removing from the inflation index the items that measure inflation such as energy, rent, and transportation (soon they will remove food) until the index becomes absolutely meaningless.

If forecasting what will happen in the next three months is challenging just imagine how difficult it is to forecast what will happen throughout the tenure of the CEO. Of course, for the I Ching, foretelling the future is easy. It is an Oracle and has been doing it for thousands of years. I can assure you that in my 44 years of consulting it in thousands of instances for thousands of people, it has always been right.

## **THE 2002 AND THE 2012 VERSIONS**

In 2002, I wrote a manual on managing and investing with the I Ching and called it The TAO for CEOs and Investors. One of my goals was to share with those investors who had gone through the 2000 crash and had lost a substantial part of their wealth, my studies of the Oracle and how the Oracle had helped my clients to successfully invest in those corporations whose CEOs had the Mandate of Heaven.

Never before the crash had I made public any of these consultations with the Oracle because I felt the investors in general were not ready for it. But then came the crash of 2000. It was the moment that made me wonder if I might be wrong. Even though many of my more sophisticated clients had encouraged me to publish what was perhaps private information belonging to a group of High Net Worth Individuals, it was a consultation with the Oracle about writing the manual what tipped the balanced and made me write it. I decided that both the Oracle as well as my clients were right and that perhaps it was time to share with the investors, and in particular with the small ones, what was a clear message from the Oracle: there is a better WAY.

In light of the present financial crisis, this message rings true once more:

- To the abuses brought about for a second time by so many crooked Wall Street bankers and Hedge Funds Managers, the I Ching says: there is a better Way,
- To allowing them to create one crash after another, destroying trillions of their clients' wealth and giving birth to movements such as Occupy Wall Street, the I Ching says: there is a better Way.
- To allowing them to place the entire financial system in danger, and make so many nations of the world go through so many economic crisis one after another with depressions and massive unemployment as the final outcome, the I Ching says: there is a better Way.
- To the lack of desire on the part of governments to bring these criminals to justice, the I Ching says: there is a better Way.

When I wrote the manual in 2002, I had set as one of my goals to update it every decade because a decade is the usual tenure of a CEO. Now that a decade has passed, I am presenting the 2012 version which includes two basic changes. The first is that while in the 2002 version I included only 40 of the thousands of corporations I have followed during the 44 years I have been studying the I Ching, in the 2012 version, I have expanded it to include the 30 corporations of the DJI and the 100 corporations of the QQQ. And the second is that while in the 2002 Version I separated the Hexagrams into those related to Management from those related to Investing, in the 2012 version I have merged them into one. It has become abundantly clear that the two are closely related.

The investor depends on the CEO for the return on as well as for the return of his investment. That is, thanks to the Oracle, the investor does not need to diversify with a mutual fund. All the investor needs in his portfolio is a few good CEOs who have the Mandate of Heaven. He does not need a mutual fund manager as an asset allocator because the CEOs are asset allocators. The CEO of Johnson & Johnson for instance, manages a large portfolio of products and he must efficiently allocate the corporate assets by either improving or discarding the various products which comprise the portfolio. So does the CEO of every corporation in the world.

We will see next those CEOs who have the Mandate of Heaven and therefore should be in every investors' portfolios. That is, they are truly Alpha generators. But before going into the interpretation of the Hexagrams and the cases of the corporations which are going through their individual Time-Spaces, I would like to express once more my gratitude to the Oracle and insist that the entire credit for this manual on Managing and Investing belongs to the I Ching. I do suspect, however, that the Oracle would refuse to take the credit. I can almost hear what the Oracle would whisper in the ears of those who love and respect it:

*"The wise man gladly leaves fame to others. He does not seek to have credited to himself things that stand accomplished, but hopes to release active forces; that is, he completes his works in such a manner that they may bear fruit for the future."*

And one more thing, as Steve Jobs loved to say: thank you Richard Wilhelm for bringing the light from China to Europe when you translated the I Ching from Chinese to German. And thank you Cary Baynes for translating Wilhelm's work to English. This manual on managing and investing with the I Ching would not be have been possible without your labor of love.

# **BOOK ONE**

## **THE HEXAGRAMS**

# 01 - THE CREATIVE

## MANAGERIAL ISSUE:

The CEO – managing the corporation’s Creative period.

This Hexagram represents a CEO who has been touched by Heaven and granted its creative powers.

The I Ching uses an image from nature to represent such creative powers:

- *“The clouds pass and the rain does its work.*

The world will call him a visionary, one who has the capacity to transform others with his creative power and bring the best out of everyone he works with.

To such a CEO, who has creativity and tenacity, time is no longer a concern because he knows he will accomplish his goal and will bring peace and security to the world thanks to his four basic characteristics: Love, Morality, Justice and Wisdom.

- The I Ching says: *(his aim is) to develop himself so that his influence may endure. He must make himself strong in every way, by consciously casting out all that is inferior and degrading. Thus he attains that tirelessness, which depends upon consciously limiting the fields of his activity.*

For the CEO, this Hexagram represents a successful corporation at its very beginnings. This is the Hexagram of Steven Jobs and Apple of Bill Gates and Microsoft, of Larry Ellison and Oracle. You would have drawn this Hexagram if you had been lucky enough to consult the I Ching about Apple, Microsoft, or Oracle years ago when they were starting their operations. This Hexagram also represents companies such as Xerox, Polaroid, Home Depot, Cisco, in their beginnings, as well as the new ones such as Google.

For the investor, this Hexagram represents the beginning of a brilliant idea, as well as a very profitable one. This idea will definitely take material form, becoming a very successful corporation, because not only is it an idea which time has come, but what is most important is that the man behind it has the Mandate from Heaven.

When talent and perseverance unite with the mandate of Heaven, the world has a winner.

## MANAGERIAL LESSON:

The Superior CEO must:

- 1) Follow Heaven’s mandate. Nothing can stop the CEO when his time and place has come. The I Ching (like the Bible) tells us there is a time and a place for everything. And this corporation is an idea which time and place has come. Even though the founders of the corporation might appear as amateurs, like Jobs, Gates or Ellison when

they started, they are really guided by an invisible and heavenly hand. Thus, nothing can stop this idea from becoming a reality and nothing can stop this stock from growing.

- 2) Follow the rule: “Do what you love and the money will follow”. This takes special significance when the creative forces of the universe are the driving force behind their idea.

The Superior CEO does:

- a) What he enjoys
- b) What comes natural
- c) What he believes to be right.

- 3) Be passionate. His passion might make him appear as aggressive and tenacious, but it does not matter. He must show there can be no doubt he will carry out his ideas.
- 4) Be a visionary. The creators of this product are men of vision because they can see into the future. The I Ching places great importance in seeing or visualizing an idea in as much detail as possible well before the execution of the idea, both in terms of causes and effects, and the subsequent causes and effects.

The I Ching would say these are very special men. People like Jobs, Gates or Ellison are indeed great men. And they should be seen as such by the investor who wants to be successful.

They are special because they are men of:

- 1) Principle. As strange as it may seem to the cynics of this world and even to themselves, Jobs, Gates and Ellison are men of principles. This is usually the case with those who are touched by such creative forces.
- 2) Conscience. What really matters to them is not the material, which they know will inevitably take form, but rather the ideas themselves. For only the ideas are everlasting, while matter will eventually be transformed.
- 3) Tenacity. It is interesting to note, how the I Ching defines tenacity or duration, which by the way has nothing to do with clinching your teeth, but basically to follow in time a series of steps one after the other. To be tenacious it is always best to concentrate on the next step. Time is regarded as the basis of this motion.

Thus the hexagram includes also

*the power of time and  
the power of persisting in time, that is,  
duration.*

- 4) Humility, in spite of their apparent arrogance. They are humble because they reward merit, and put merit above all things rather than friendship or nepotism. Microsoft was famous for paying its employees with stock options, thus the employees felt they had ownership in the corporation. This policy made millionaires out of thousands of its employees.
- 5) Generosity. They are generous men, as unbelievable as it may sound.

Bill Gates has proven that you win when you are generous:

First, when IBM was developing the 5150PC, they came to the newly born Microsoft looking for an operating system. Gates, in a truly generous act, recommended Digital Research whose CEO, Gary Kindall, would eventually turn IBM down. As FATE would have it, Gates and Allen realized what truly was at stake, bought Seattle Computer Products' X86-compatible OS, repackaged it as DOS and sold it to IBM. Gates had the Mandate of Heaven. Kindall did not.

Second, in another truly generous act, Gates proposed that Apple make its disk drives compatible with DOS so IBM PC users could more readily swap data with the Mac. Gates also proposed early on that Apple out-license its friendly operating system to "clone" computer makers. The theory was that Apple could broaden its market share in the way IBM PC clones had popularized DOS. But Apple's CEO John Sculley rejected it. Scully did not have the Mandate of Heaven. Any reasonable investor would have asked before investing in Apple at that time, what does a manager like Scully coming from a bottling company like Pepsi know about running a computer company? Those who chose Scully as CEO were the ones responsible for the near destruction of Apple. It took Job's return to bring back Apple to its original greatness.

Third, in another generous act, Gates continued to support the Mac software in spite of the look and feel suit, which Apple brought against Microsoft. And

Fourth, he helped save Apple by injecting US\$ 150m into Apple when it was about to go bankrupt.

What the truly great CEO (man) knows is that to be good to others is to be good to one self.

In general, these CEOs are special men because they:

- Live by a strict code of ethics, which is to make the best product available to the public not matter what the effort.
- Are strict in rewarding those who produce results and firing those who don't, and thus will always keep around them the most talented of the industry, and
- Truly enjoy what they do, so much so that in the beginning they did it for fun and they might have continued doing it for fun were it not so profitable. How could a CEO get tired or exhausted if he is having fun?

Bill Gates knew that Windows would take material form, because it was destined to do so, and because he had plenty of time and perseverance. Microsoft had excellent ideas and a very creative Research and Development department. It also had the necessary human resources, even though not necessarily plentiful equity to start with, to carry out their ideas, and both the owners and the managers were willing to work hard to achieve success. They also had the required elements for success such as: a passion for the ideas, a proper corporate culture, even if small, and respect and commitment to compensate merit, and know-how.

It is crucial to note, however, that Jobs, Gates and Ellison are subject to the law of cycles. Eventually CEO will grow arrogant, overreach and fail by exposing the corporation to titanic aspirations that exceed one's power.

The I Ching warns the CEO:

**Nine at the top means:**

*Arrogant dragon will have cause to repent.*

*When a man seeks to climb so high that he loses touch with the rest of mankind, he becomes isolated, and this necessarily leads to failure.*

*This line warns against titanic aspirations that exceed one's power.*

*A precipitous fall would follow.*

What went wrong? The CEO forgot one of the main principles:

The I Ching advises the CEO:

- *He*
- *must make himself strong in every way, by consciously casting out all that is inferior and degrading. Thus*
- *he*
- *attains that tirelessness, which depends upon consciously limiting the fields of his activity.*

## **INVESTMENT ADVICE:**

This CEO has been blessed with a flux of Ch'i, or heavenly beneficial rain. The wise investors should take advantage of this flow of Ch'i.

- The I Ching says, *"The power represented by the hexagram is to be interpreted in a dual sense - in terms of its action on the universe and of its action on the world of men. In relation to the universe, the hexagram expresses the strong, creative action of the Deity. In relation to the human world, it denotes the creative action of the holy man or sage, of the ruler or leader of men, who through his power awakens and develops their higher nature."*

This is one of the strongest and most promising of the Hexagrams. This is definitely a growth stock. It represents one of the highest returns as an investment. The I Ching says that this Hexagram *"stands for the primal power, which is light giving, active, strong, and of the spirit."*

For the typical investor, it requires a great deal of courage to hold this investment in time; nevertheless, it is worth it because the value of the stock will increase many times in value. It could produce returns of 10, 15 or even 20 times the original investment, or 20 baggers, as Peter Lynch would call them.

- The I Ching says *"When an individual draws this Oracle, it means that success come to him from the primal depths of the universe and that everything depends upon his seeking his happiness and that of others in one way only, that is, by perseverance in what is right"*

This Hexagram is also a test for the investor to exercise patience. This Hexagram represents an excellent investment in time. For the investor, this Hexagram requires time and patience to see it come to fruition. Here you have the ideas of a truly creative man, a genius, and a visionary who sees the future and how the future should be. The investor must rise to the occasion and match his patience with the CEO's talent. He must be as patient with this investment as the creator of the corporation is talented.



Few investors are visionaries. This Hexagram represents companies such as Apple, Microsoft and Oracle in their beginnings. Few investors had the vision to know from the very beginning that these products would have great demand. Yet, those investors who bought these stocks in the beginning and were willing to persevere had very high returns.

For the investor, the Creative represents in general terms a favorable Time-Space to invest.

By itself (no lines), the Creative Time-Space points to Success provided the CEO

- Limits his field of activity,
- Tries not to climb so high that he loses touch with the rest of mankind,
- Keeps away from titanic aspirations that exceed his power.

*THE CREATIVE works sublime success,  
Furthering through perseverance.*

*According to the original meaning, the attributes (sublimity, potentiality of success, power to further, perseverance) are paired. When an individual draws this Oracle, it means that success come to him from the primal depths of the universe and that everything depends upon his seeking his happiness and that of others in one way only, that is, by perseverance in what is right.*

*The specific meanings of the four attributes became the subject of speculation at an early date. The Chinese word here rendered by "sublime" means literally "head," "origin," "great."*

*This is why Confucius says in explaining it:*

*"Great indeed is the generating power of the Creative; all beings owe their beginning to it. This power permeates all heaven. For this attribute inheres in the other three as well.*

*The beginning of all things lies still in the beyond in the form of ideas that have yet to become real. But the Creative furthermore has power to lend form to these archetypes of ideas. This is indicated in the word success, and the process is represented by an image from nature: "The clouds pass and the rain does its work, and all individual beings flow into their forms."*

*Applied to the human world, these attributes show the great man the way to notable success: "Because he sees with great clarity causes and effects, he completes the six steps at the right time and mounts toward heaven on them at the right time, as though of six dragons."*

*The six steps are the six different positions given in the hexagram, which are represented later by the dragon symbol. Here it is shown that the way to success lies in apprehending understanding and giving actuality to the way of the universe (Tao), which, as a law running, through end and beginning, brings about all phenomena in time. Thus each step attained forthwith becomes a preparation for the next. Time is no longer a hindrance but the means of making actual what is potential.*

*The act of creation having found expression in the two attributes - sublimity and success, the work of conservation is shown to be a continuous actualization and differentiation of form. This is expressed in the two terms "furthering" (literally, "creating that which accords with the nature of a given being") and "persevering" (literally, "correct and firm"). "The course of the Creative alters and shapes beings until each attains its true, specific nature, then it keeps them in conformity with the Great Harmony. Thus does it show itself to further through perseverance."*

*In relation to the human sphere, this shows how the great man brings peace and security to the world through his activity in creating order: "He towers high above the multitude of beings, and all lands are united in peace."*

*Another line of speculation goes still further in separating the words "sublime," "success," "furthering" "perseverance," and parallels them with the four cardinal virtues in humanity.*

*1) To sublimity, which, as the fundamental principle, embraces all the other attributes, it links love.*

*2) To the attribute success are linked the mores, which regulate and organize the expressions of love and thereby make them successful.*

*3) The attribute furthering is correlated with justice, which creates the conditions in which each receives that which accords with his being, that which is due him and which constitutes his happiness.*

*4) The attribute perseverance is correlated with wisdom, which discerns the immutable laws of all that happens and can therefore bring about enduring conditions.*

*These speculations, already broached in the commentary called Wen Yen, later formed the bridge connecting the philosophy of the "five stages (elements) of change," as laid down in the Book of History (Shu Ching) with the philosophy of the Book of Changes, which is based solely on the polarity of positive and negative principles. In the course of time this combination of the two systems of thought opened the way for an increasingly intricate number symbolism.*

The lines, however, present good possibilities to invest not so much at the beginning, when the CEO and his corporation are unknown or at the end when the CEO has turned arrogant and overreaches, but rather in the Hexagrams in the middle when he has the fire in his belly but has not become corrupt.

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation's Creative period, based on a great idea, but no one to support him yet.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Creative Time-Space, the CEO's idea is a winner but lacks supporters. This is Apple and Steven Jobs, Microsoft and Bill Gates and Oracle and Larry Ellison at its very beginnings. This newly born corporation (or a recently restructured one) has new and brilliant ideas for brilliant products. Nevertheless, these products are still at a theoretical level or on the drawing board. And its creators are not yet known.

- *the main thing is not to expend one's powers prematurely in an attempt to obtain by force something for which the time is not yet ripe.*

**Managerial Advice:** The Superior CEO is patient, particularly at this time when all the elements of success are present except for the timing. He knows he must not overreach because the time is not yet ripe. The Superior CEO is true to himself and to his dream, and resists the advice of those around him who will surely tell him to desist just when he is about to turn his corporation into a successful one.

- *He does not allow himself to be influenced by outward success or failure, but confident in his strength, he bides his time.*

**Investment Advice:** Do not invest. It is still a bit early to invest. We should keep an eye on this stock and follow it closely for a future purchase. The men behind this corporation are sure winners. They will not give up their dreams despite the inevitable negative comments from the "experts".

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporation's Creative period now that his brilliant idea is becoming visible.

**Managerial Lesson:** Be passionate.

**Managerial Warning:** At the second stage of the Creative Time-Space, the CEO finds that passion is a must when the corporation is becoming more visible. This is Microsoft when IBM endorsed its operating system. The investment bankers had recognized Microsoft's brilliant ideas and his founder's brilliance. The market is beginning to pay attention.

**Managerial Advice:** The Superior CEO always keeps his goal in sight and will never let go of them. He has what it takes to be successful.

- *what distinguishes him from the others is his seriousness of purpose, his unqualified reliability, and the influence he exerts on his environment without conscious effort.*

**Investment Advice:** Invest. We should consider the possibility of investing small quantities for our portfolio.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – creating the corporation when everyone wants to invest in it.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the third stage of the Creative Time-Space, the CEO must now reach for a much higher position. He is now well known, and everyone wants a piece of the action. The CEO should remember that at the peak of success lays the highest danger, when he might lose his focus and his vision because harmful influences would have him deviate from his original course. His humility, the secret to his original success, is about to turn to pride, the mother of all evils.

- *Many a great man has been ruined because the masses flocked to him and swept him into their course.*

**Managerial Advice:** The Superior CEO is honest. He always stays true to himself and to his dream. He has the strength to resist the advice of those around him who will surely tell him to desist just when he is about to become successful. This is Microsoft when it went into production. The Corporation is preparing to produce the first prototype of the product, in spite of the jitters of the corporation's founders. The investors smell a killing. The more aggressive portfolio managers are beginning to ask questions about the stock and begin to buy small amounts. Nevertheless, some doubts still appear which will be dissipated in the future by the great quality of the product.

- *true greatness is not impaired by temptations. He who remains in touch with the time that is dawning, and with its demands, is prudent enough to avoid all pitfalls, and remains blameless.*

**Investment Advice:** Invest. It is time to add this stock for our own portfolio. We are investing now, because if you only invest when you can see the light at the end of the tunnel, then it is probably too late.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporation's Creative period when he must make a crucial decision between out licensing the product or going at it alone.

**Managerial Lesson:** Be truthful.

**Managerial Warning:** At the fourth stage of the Creative Time-Space, the CEO faces a crucial period of transition. He may license out his technology for the whole world to participate, or he may decide to go at it alone and try and keep all the potential earnings for himself alone. This is Microsoft in full production. The product has been very successful, and the corporation is in full production. By now this is old news for most investors who long ago recognized the value of the product. The stock's value begins to increase.

But now the CEO has to make a crucial decision. On the one hand, he can choose to produce in large scale and go to the capital markets and merchant bankers to sell its stocks and raise additional funds to keep the market for itself. Or, on the other hand, he can turn the corporation into a specialty product type. This was the original problem of Apple computers - to drop the price and license its products for other companies to mass produce it and for everyone to buy it and become the industry standard as well as a virtual monopoly in the hardware and software PC market, or not to license their product and try to maintain their position of a specialty product with excellent quality, high prices and highly inaccessible. This is a crucial decision for the corporation.

**Managerial Advice:** The Superior CEO's is humble and willing to share the corporate knowledge with the rest of the world. He always keeps in mind what Apple never did and what IBM always says and does: the corporation that shares its power will keep it, especially in the long run.

**Investment Advice:** Do not invest. The stock will continue to increase, but we should not add to our positions. We should rather hold our position until most analysts reduce its earnings per share estimates and then immediately sell it.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the corporation’s Creative period when everyone wants to join.

**Managerial Lesson:** Humility.

**Managerial Warning:** At the fifth stage of the Creative Time-Space, the CEO has brought his corporation to the highest level of its production and marketing cycle. The best talent of the industry wants to join this corporation. The CEO is like a magnet that attracts the best in the field. Like attracts like. The best wants to be with the best. But he is now facing the beginning of the end. Now, that all the important people in the world want to be with and listen to what this CEO has to say, his humility will turn to pride. At the highest point of success, pride, the seed of destruction, always appears.

- *Here the great man has attained the sphere of the heavenly beings. His influence spreads and becomes visible throughout the whole world. Everyone who sees him may count himself blessed.*

**Managerial Advice:** The Superior CEO is always humble and always listens. Even someone as brilliant and as touched by Heaven as Larry Ellison should have someone whisper in his ear: "Respice te, hominem te memento" ("Look behind you, remember you are only a man") and "Memento mori" ("Remember (that you are) mortal")

**Investment Advice:** Invest. Keep an eye on this company. It might go nearly bust as Apple and be reborn again.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the Creative period to re-create the corporation when arrogance is about to destroy it.

While one CEO is closing his cycle from flying high thanks to his humility to crashing down because of his pride, while one CEO sees Heaven withdraw the blessings it once so generously bestowed upon him, another CEO such as Larry Page and Sergey Brin of Google or Mark Zuckerberg of Facebook, is beginning to be noticed by the investors as he receives the blessings from Heaven.

**Managerial Lesson:** Be Flexible.

**Managerial Warning:** At the sixth stage of the Creative Time-Space, the CEO behaves in a very arrogant fashion, much like Apple’s CEO (Sculley) in the early 90’s. The Inferior CEO will deliberately:

- Fail to recognize the disruptive technologies. He will delude himself into thinking that their product will continue to sell even if their improvements are not what the market is asking for at that particular time (the case of the first semi tablet called Newton). Everybody, even the inexperienced investors, and the laymen recognize the success of the competitor's product and consider it the standard of their industry, such as the case of Microsoft vs. Apple years back.
- Allow the drain on brainpower to take place. It might be that the corporation's competitors, not being able to compete head on, will begin to steal their most brilliant executives who are the creative power behind the corporation (the case of the arrogance of Ballmer of Microsoft who sees his best programmers leave for Google). Or maybe some of the brain power will leave because the corporation became too conservative instead of keeping eternally young such as Hewlett Packard when the original founders were alive. Or maybe because the less competent but very politically savvy managers are driving them out, as they did with Steven Jobs of Apple.
- Encourage the corporation to step on newcomers much like Microsoft did with Netscape. Such arrogance will only lead it to problems with the law. It requires certain humility; such as the one IBM surprisingly showed after its debacle years back, to turn the corporation around. However, turnarounds are usually very rare, and this corporation probably will not make it. Bill Gates should remember that IBM could have crushed Microsoft at its very beginning but never did because it was too arrogant to even purchase a substantial percentage of Microsoft's stock. IBM's humility returned years later.

*Arrogant dragon will have cause to repent.*

- *When a man seeks to climb so high that he loses touch with the rest of mankind, he becomes isolated, and this necessarily leads to failure.*
- *This line warns against titanic aspirations that exceed one's power.*
- *A precipitous fall would follow.*

**Managerial Advice:** The Superior CEO is flexible. He knows that to think out of the box, he must always remember that everything changes and transforms itself. This could well be the case of Hewlett Packard when its founders were alive; with its high and lows in the value of its stock, but as a constant element of excellence, behaving in a very professional manner and with the strength of a commitment. Nevertheless, even this type of corporation has its maturing and aging cycles, and it will eventually die. Nothing lasts forever. Everything changes and transforms itself.

**Investment Advice:** Do not invest. This is a time for investors to be careful. This is the time when the corporation is about to make mistakes. The investor must now sell. The I Ching is very explicit about keeping away from anything, which lacks humility. It will be wise, however to continue to keep an eye on this corporation, as it might turn around and renew itself, much like IBM which did have the humility to change. We must ask the I Ching again should the analysts place this stock back on their buy list or if they increase their earnings expectations.

### **ALL NINES IN ALL LINES**

**Managerial Issue:** The perfect combination of a brilliant easy going CEO with the proper determination to carry out his vision, backed by the blessings of Heaven.

**Investment Advice:** Invest. A definite buy, this is an excellent long-term investment.

## **02 - THE RECEPTIVE**

### **MANAGERIAL ISSUE:**

The CEO – managing the Receptive corporation - a corporation, which has the most perfect capacity to manufacture (produce), but lacks the capacity to design (create).

There are corporations that only design (Hexagram 1), there are corporations that only manufacture what others design (Hexagram 2) and there are corporations that both design and manufacture. In the case of Apple, for instance, it used to design and manufacture. As it matured and developed, Apple realized that it was best at designing and marketing rather than manufacturing. The proper conclusion was to outsource the manufacturing process, to look for a Receptive corporation.

Hexagram 2 practically describes an EMS corporation (electronic manufacturer services). If it were a country, it could be describing China now that it is receiving capital, ideas, management and raw materials. Or Japan after WW II. It describes a CEO whose corporation has the appropriate culture to carry out brilliant ideas, even though it might not necessarily have the adequate persons to generate those brilliant ideas. He will also find that this corporation has the necessary elements like financial strength, capacity for a quick project execution, and a very receptive corporate culture, which is open to any new idea and always willing to follow a good leader. This is a corporation, which easily molds itself to any changes in the market. Unfortunately, it is excellent when it molds itself to any external idea, but will fall into grave errors whenever it acts out of its own initiative.

Hexagram 2 might also represent the classic examples of those corporations which tried to imitate IBM or Intel. The more these corporations copy, the more successful they are, but the more they try to create their own products, the more errors they fall into. There are some corporations, which like to copy Mercedes Benz instead of trying to create their own designs. Even though there will always be a market for their products, they are smart enough to realize that their success lies in the fact that they are imitators, not creators.

### **MANAGERIAL LESSON:**

The Superior CEO:

- 1) Recognizes that:
  - There is a time to be Creative and there is a time to Receptive.
  - During the Time Space of the Receptive, his role is to look for a Creative corporation and complement it rather than to compete with it.
  - Both types of corporations (Creative as well as Receptive) are equally important.
- 2) Looks for guidance from the other corporations before making any move on his own. To move on his own would mean making grave mistakes such as turning tolerant competitors into enemies. Ironically, only then will he realize that his original competitors were willing to



accept him as an imitator but not as a creator. This corporation needs a company to generate the ideas like in Hexagram 1 – the Creative. If the CEO could make a joint venture with a corporation that generates brilliant ideas, there would be no limits to its abilities to execute the projects. Or it could become an EMS or electronic manufacturer services and manufacture someone else's products.

- The I Ching says: *It is the perfect complement of THE CREATIVE - the complement, not the opposite, for the Receptive does not combat the Creative but complements it. It represents nature in contrast to spirit, earth in contrast to heaven, space as against time, the female-maternal as against the male-paternal. However, as applied to human affairs, the principle of this complementary relationship is found not only in the relation between man and woman, but also in that between prince and minister and between father and son. Indeed, even in the individual this duality appears in the coexistence of the spiritual world and the world of the senses.*

- 3) Looks for guidance from his subordinates. This is a time for the CEO to be led rather than to lead, and to learn from both his subordinates as well as from the actual business conditions. Those same business conditions will point the way for him to follow. It is quite difficult for a CEO not to lead, after all that is what they are trained to do; however, he must be strong enough to allow others to lead him, and to allow the circumstances to lead him on the right path. Obviously, the CEO must rely only on his most trusted advisors and closest assistants to lead him, not just on anyone.
- 4) Finds a place where he can be alone to search and find the way the corporation should follow and to prepare his strategy carefully. Even though the CEO can let his closest advisors as well as the business circumstances show him the strategy, the decision must be his and his alone. No CEO can ever escape the loneliness of the decision making process. By taking the decision by himself and in a place where he can be alone, he makes sure none of his advisors influence him on the final decision making process. Because he allows his trusted advisors to show him the various strategies, every advisor will want to influence him on accepting their own personal advice. By retiring to be alone, the CEO can choose without the least emotions, lest he become biased towards a particular advisor on the right path to follow.

## **INVESTMENT ADVICE:**

For the investor, the Receptive represents in general terms a favorable Time-Space to invest.

Investing under the Receptive Time-Space is good only for the long-term investors. It is not for those who want quick profits. In general terms, this corporation is like a lot of fertile land which is worth buying only for the mere fact that any idea that is implanted would be like a seed which can generate high profits. As the fertile land, it symbolizes the effort behind the sowing and the reaping, and not a quick profit. It is definitely worth investing a small portion of our portfolio and to increment the amount as it becomes obvious that the right leader or the right idea has become present.

By itself (no lines), the Time-Space points to Success provided the CEO follows rather than leads.



## **THE JUDGMENT**

*THE RECEPTIVE brings about sublime success,  
Furthering through the perseverance of a mare.  
If the superior man undertakes something and tries to lead,  
He goes astray;  
But if he follows, he finds guidance  
It is favorable to find friends in the west and south,  
To forego friends in the east and north.  
Quiet perseverance brings good fortune.*

The lines, however, present the best investment opportunity in the fifth place.

The following are cases of corporations under the Receptive Time-Space

- **Activision Blizzard, Inc. ATVI under CEO Robert Kotick**
- **VeriSign Inc. VRSN under CEO Mark D. McLaughlin**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the receptive corporation - in a downturn in corporate profits.

**Managerial Lesson:** Be alert/prepared.

**Managerial Warning:** At the first stage of the Receptive Time-Space, The CEO must prepare for two possible scenarios that could affect his corporation:

- A recession is approaching, and the corporation will have to struggle throughout these hard times. Or
- The corporation itself might be about to run into a period of a downturn in sales.

Both scenarios mean hard times ahead.

**Managerial Advice:** The Superior CEO realizes that periods of decay are natural and inevitable, and that it is possible to prepare for them once their first signs appear. This is what Intel's CEO (Andy Grove) meant for always looking over his shoulder (Only the Paranoid Survive). For instance; the CEO could implement a number of counter measures to prepare for the period of decay by reducing the headcount or inventory, or by launching a new marketing effort, or introducing a new product line.

**The I Ching says:** *"in life precautions can be taken by heeding the first signs of decay and checking them in time".*

**Investment Advice:** Do not invest.

## SIX IN THE SECOND PLACE

**Managerial Issue:** The CEO – managing a receptive (non-creative) but productive company.

**Managerial Lesson:** Be accommodating.

**Managerial Warning:** At the second stage of the Receptive Time-Space, the CEO's policy should be: Follow, do not lead. The I Ching describes a very productive company with a strong market for its products, even though they are not very original. This could represent the line of Intel's imitators, which might be productive, but must always follow Intel's lead. Still, they have a strong market with large buyers.

**Managerial Advice:** The Superior CEO accepts the real nature of his corporation's Receptive Time-Space, embraces it and makes the most of it.

*The Receptive accommodates itself to the qualities of the Creative and makes them its own. Therefore the Receptive has no need of a special purpose of its own, nor of any effort; yet everything turns out as it should.*

**Investment Advice:** Do not invest.

## SIX IN THE THIRD PLACE

**Managerial Issue:** The CEO – managing the receptive corporation - in a stealth manner.

**Managerial Lesson:** Be modest.

**Managerial Warning:** At the third stage of the Receptive Time-Space, the CEO finds that if he is not humble enough to hide his good managerial qualities, he will draw the attention from the press as well as from his competitors. He could go to the press but only if needed, provided his aim is not to get public recognition for making this a successful corporation, but rather to make sure the corporation's success will last for a long time. The CEO's attitude is the right one. Some CEOs, such as the case of John Reed of Citicorp discovered to their chagrin that the more visible they became to the public and to his subordinates, the more opposition they generated from everyone, particularly the press.

**Managerial Advice:** The Superior CEO is smart enough to realize his errors quickly, to keep quiet and to maintain a low profile. One way to appreciate this attitude is by observing George Soros' work with regards the introduction of capitalism and democracy into the communist world, or Warren Buffett's desire to stay in Omaha far away from the maddening crowd.

- *The wise man gladly leaves fame to others.*
- *He*
  - *does not seek to have credited to himself things that stand accomplished, but*
  - *hopes to release active forces; that is,*
- *he*
  - *completes his works in such a manner that they may bear fruit for the future.*

**Investment Advice:** Do not invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the receptive corporation when he is about to make his move.

**Managerial Lesson:** Be reserved.

**Managerial Warning:** At the fourth stage of the Receptive Time-Space, the CEO realizes this is a time of danger for the corporation. The CEO is about to make his move – to transform his corporation from a Receptive corporation to a Creative corporation. The CEO faces a dilemma - if he is too assertive in implementing the transformation, he will generate opposition from the same corporations he is trying to challenge. If he is too soft, he will be perceived as a wimp. In both cases he will have the Board of Directors against him.

**Managerial Advice:** The Superior does not move during the time of danger, thus he avoids being either too assertive or too soft. He knows when to keep a low profile within the industry.

**Investment Advice:** Do not invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the receptive corporation by his own personal example.

**Managerial Lesson:** Be discreet.

**Managerial Warning:** At the fifth stage of the Receptive Time-Space, the CEO finds that he has been given great responsibilities and a leading position, yet he is also a corporate man and may not act without proper consultations from the Board of Directors.

**Managerial Advice:** The Superior CEO keeps his plans to himself to both: to not generate opposition, and to show his excellent leading qualities by his own calmness in front of desperate situations. The Superior CEO teaches by his own actions rather than by his words.

- *A man's genuineness and refinement*
  - *should not reveal themselves directly;*
- *They*
  - *should express themselves only indirectly as an effect from within.*

**Investment Advice:** Invest fully. The I Ching says: “supreme good fortune”

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the receptive corporation - as it tries to lead rather than follow.

**Managerial Lesson:** Be yielding/Be serving.

**Managerial Warning:** At the sixth stage of the Receptive Time-Space, the I Ching describes this line as the classic battle between opposing good and evil forces. The CEO should be true to his own nature when fighting this battle. This line is applicable to both the CEO as well as to the corporation:

- In the case of the CEO, he could be perceived to have changed the focus of his managerial style from that of a humble servant of the corporation's interest to that of a self-serving tyrant. This attitude draws a considerable opposition against him, which brings harm to the CEO as well as to the corporation. And even though he will eventually receive a reinforced support from the Board of Directors, he cannot repair the damage done. And
- In the case of the corporation, such as the case of an electronic manufacturing service, it could be a situation where the receptive corporation which depends on the creative corporation is no longer willing to put up with being a receiver of ideas and tries to become a producer of ideas. This creates such anger amongst the creative corporations that they decide to destroy it. In the process, both the receptive corporation as well the creative corporations hurts themselves. Apple should prepare for what is coming in the future because the Chinese companies that manufacture for Apple will one day try and replace Apple

**Managerial Advice:** The Superior CEO knows sometimes it is better to leave things as they are.

**Investment Advice:** Do not invest.

### **SIX IN ALL PLACES**

**Managerial Issue:** The CEO – managing the receptive corporation - at a standstill.

**Managerial Lesson:** Be righteous.

**Managerial Warning:** This Receptive corporation could eventually become a Creative corporation but it might take too long. The corporation risks becoming stagnant and so will the value of its stock. Even though there might eventually be success, there are other more profitable alternatives.

**Managerial Advice:** The Superior CEO is righteous so that his corporation may survive.

**Investment Advice:** Do not invest. Look for better alternatives.

The I Ching says: *“While the top line of THE CREATIVE indicates titanic pride and forms a parallel to the Greek legend of Icarus, the top line Of THE RECEPTIVE presents a parallel to the myth of Lucifer's rebellion against God, or to the battle between the powers of darkness and the gods of Valhalla, which ended with the Twilight of the Gods.”*

## MANAGERIAL CASES

### ACTIVISION BLIZZARD (ATVI) UNDER CEO ROBERT KOTIC

Robert Kotick's Performance:	ROI= 1,150.00%	Annualized Return= 13.13%
SPY's Performance:	ROI= 186.46%	Annualized Return= 6.21%

Robert Kotick has been CEO of Activision since February 1991 and CEO of Activision Blizzard since July 2008. Since February of 1991 his has been able to outperform the SPY. However, lately, and in particular since the crash of 2008, he has not been able to recover the stock price's all-time high.

Because he has been CEO for almost two decades, we asked the Oracle once more about his future. His new hexagram is The Receptive.

#### Points the investor should consider:

**1) THE HEXAGRAM:** The Receptive (2) points to sublime success provided the CEO follows:

*THE RECEPTIVE brings about sublime success,  
Furthering through the perseverance of a mare.  
If the superior man undertakes something and tries to lead,  
He goes astray;  
But if he follows, he finds guidance  
It is favorable to find friends in the west and south,  
To forego friends in the east and north.  
Quiet perseverance brings good fortune.*

**2) THE ADVICE:**

*The earth's condition is receptive devotion.  
Thus the superior man who has breadth of character  
Carries the outer world.*

**3) THE LINES:** There is one moving line which is one of the best lines:

*Six in the fifth place means:  
A yellow lower garment brings supreme good fortune.*

*Yellow is the color of the earth and of the middle; it is the symbol of that which is reliable and genuine. The lower garment is inconspicuously decorated - the symbol of aristocratic reserve. When anyone is called upon to work in a prominent but not independent position, true success*

*depends on the utmost discretion. A man's genuineness and refinement should not reveal themselves directly; they should express themselves only indirectly as an effect from within.*

**4) THE MOVING HEXAGRAM:** 8 UNION is positive:

*HOLDING TOGETHER brings good fortune.  
Inquire of the Oracle once again  
Whether you possess sublimity, constancy, and perseverance;  
Then there is no blame.  
Those who are uncertain gradually join.  
Whoever comes too late  
Meets with misfortune.*

**VERISIGN Inc. VRSN UNDER CEO MARK D. McLAUGHLIN**

Mark D. McLaughlin Performance:	ROI= 60.61%	Annualized Return= 27.20%
SPY's Performance:	ROI= 31.97%	Annualized Return= 15.18%

Mark D. McLaughlin has been CEO of VeriSign since August 2009 and it is too early to tell his full performance; however, up to now it's been a superior performance compared to that of the SPY.

**Points the investor should consider:**

**1) THE HEXAGRAM:**

(Same as Above).

**2) THE ADVICE:**

(Same as Above).

**3) THE LINES:**

Six in the third place means:  
*Hidden lines.  
One is able to remain persevering.  
If by chance you are in the service of a king,  
Seek not works, but bring to completion.*

*If a man is free of vanity he is able to conceal his abilities and keep them from attracting attention too soon; thus he can mature undisturbed. If conditions demand it, he can also enter public life, but that too he does with restraint. The wise man gladly leaves fame to others. He does not seek to have credited to himself things that stand accomplished, but hopes to release active forces; that is, he completes his works in such a manner that they may bear fruit for the future.*

#### **4) THE MOVING HEXAGRAM:**

##### *HEXAGRAM 15 - Ch'ien - Modesty*

*This hexagram is made up of the trigrams Ken, Keeping Still, mountain, and K'un. The mountain is the youngest son of the Creative, the representative of heaven on earth. It dispenses the blessings of heaven, the clouds and rain that gather round its summit, and thereafter shines forth radiant with heavenly light. This shows what modesty is and how it functions in great and strong men. K'un, the earth, stands above. Lowliness is a quality of the earth: this is the very reason why it appears in this hexagram as exalted, by being placed above the mountain. This shows how modesty functions in lowly, simple people: they are lifted up by it.*

##### *THE JUDGEMENT*

*MODESTY creates success.*

*The superior man carries things through.*

*It is the law of heaven to make fullness empty and to make full what is modest; when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting, and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also. It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.*

*The destinies of men are subject to immutable laws that must fulfill themselves. But man has it in his power to shape his fate, according as his behavior exposes him to the influence of benevolent or of destructive forces. When a man holds a high position and is nevertheless modest, he shines with the light of wisdom; if he is in a lowly position and is modest, he cannot be passed by. Thus the superior man can carry out his work to the end without boasting of what he has achieved.*

##### *THE IMAGE*

*Within the earth, a mountain: The image Of MODESTY.*

*Thus the superior man reduces that which is too much,*

*And augments that which is too little.*

*He weighs things and makes them equal.*

*The wealth of the earth in which a mountain is hidden is not visible to the eye, because the depths are offset by the height of the mountain. Thus high and low complement each other, and the result is the plain. Here an effect that it took a long time to achieve, but that in the end seems easy of accomplishment and self-evident, is used as the image of modesty. The superior man does the same thing when he establishes order in the world; he equalizes the extremes that are the source of social discontent and thereby creates just and equitable conditions.*



## **03 - INITIAL DIFFICULTIES**

### **MANAGERIAL ISSUE:**

The CEO – managing a corporation/project's birth and its initial difficulties.

When Heaven (Hexagram 1) and Earth (Hexagram 2) join together, they give birth to something new (Hexagram 3) and like all births, it brings initial difficulties with it.

This Hexagram represents the initial difficulties of:

- a new corporation, or
- a new project for both
  - a newly established corporation as well as in
  - a well-established corporation.

This is the beginning of what appears to be a good enterprise, one that will take a few years to develop. Yet what seems to be an acceptable investment, will eventually encounter

- Many obstacles, as well as
- A final solution.

### **MANAGERIAL LESSON:**

#### **The Superior CEO:**

- 1) Prepares for conflicts and perhaps even for chaos. He knows that:
  - In a corporate start up, new people will come together to execute a new project which usually means conflicts and hardships.
  - New projects, like new births are often difficult, painful and stormy.
- 2) Concentrates on the smaller projects and gives up any grand schemes. He knows that:
  - After the storm there usually comes the calm.
  - Tension gives way to peace and the dangers that threaten a project will go away.
- 3) Finds able executives to support him in reaching his objectives. However, he knows he must work side by side with his executives, even though they might be more experienced than him.
- 4) Keeps in motion at all times. Perseveres till the end. He knows the success of any initial startup requires of:
  - Great perseverance on the part of those who gave birth to the corporation, or those who gave birth to the new project.
  - Plenty of help on the part of those who had the genius to develop the idea.
  - Plenty of patience on the part of the investors who are backing it up.
  - A strong leader in management who will impose order and purpose.

This applies to almost all the companies, whether large or small, or whether they are listed in the stock exchange or not. General U.S. Grant's constant motion and tenacity during the "Initial Difficulties" of the Civil War, easily come to mind,

- 5) Takes an active lead. He only has to eliminate all the layers of chaos to get to the perfect corporation.
- The I Ching says: *"in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite."*

The story of Apple's extremely successful iPod project is a good example of managing the initial difficulties of a project.

How Steven Jobs:

- Listened to Tony Fadell (after Real Networks and Phillips had turned Fadell down)
- Established a very small team for its development to avoid the pitfalls of creating by committee (committees never work).
- Supported Fadell 100%
- Kept a proper balance between delegating and personally getting involved.
- Gave absolute power to a single person for the ultimate decision making.

These are classic lessons of how to put together Heaven (The Creative) with Earth (The Receptive) and manage the Initial Difficulties.

## **INVESTMENT ADVICE:**

For the investor, the Initial Difficulties represent an unfavorable Time-Space to invest.

By itself (without any moving lines) it carries the possibility of success provided nothing new is undertaken (that is, stay with the project till completion, do not lose the focus):

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

The lines, however, present no real investment opportunity as none point to Good Fortune (except in line 4 and even then it is kind of relative).

Generally, this investment as in all investments in start-ups will be difficult and painful. Because of the difficulties the corporation will encounter, this stock should be considered as a very long-term investment, full of ups and downs. For the persistent, long-term investor, there might eventually be good returns; but in general, the best course of action would be to look for a better investment for now and to keep this company in a watch list as a future investment.

The following are cases of corporations under the Initial Difficulties Time-Space:

- **General Electric Co. GE under CEO Jeffrey R. Immelt**

There are many cases of CEOs managing under the Initial Difficulties, but one of the most striking is that of the Time-Space created in General Electric when GE's Board of Director, under the leadership of Jack Welch, elected Jeffrey Immelt

The I Ching's main recommendation to Immelt was:

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*

Immelt has failed to separate and to unite. Read at the end of the Hexagram.

## **THE LINES**

### **SIX IN THE FIRST LINE**

**Managerial Issue:** The CEO – managing a Corporation/project's initial difficulties - arising at its start up.

**Managerial Lesson:** Be calmed/ be persevering.

**Managerial Warning:** At the first stage of the Initial Difficulties Time-Space, the CEO will encounter obstructions during the start of the corporation/project and might be tempted to force the birth of the project to overrun any obstruction.

**Managerial Advice:** The Superior CEO:

- Pauses when he encounters resistance
- Continues tenaciously once the resistance has passed.
- Changes his tactics if necessary but keeps the ultimate goal in mind.
- Seeks the best executives in the market,

- Rewards them based only on merit,
- Keeps an unassuming posture so as to inspire his employees.
- Makes sure everyone involved is humble. NO PRIMA DONNAS ALLOWED.

**Investment Advice:** Do not invest

### **SIX IN THE SECOND LINE**

**Managerial Issue:** The CEO – managing a Corporation/project's initial difficulties - as they become worst.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the second stage of the Initial Difficulties Time-Space, the CEO faces all kinds of problems including both financial and labor related. However, an investor, a white knight, who appears to be the classic raider, comes out of nowhere. He appears interested in the company and is willing in a disinterested fashion to provide it with the necessary financial support.

**Managerial Advice:** The Superior CEO accepts such help provided it does not come with any attachments, as it might tie him down for any future maneuvers. If the help is truly generous, the white knight's honesty will become evident and the CEO will accept the investor. However, in this particular case, many years will pass before this happens. The best strategy in this case is one the I Ching finds acceptable – that is, to wait and do nothing, which is more important than acting and making a mistake. The real white knight will eventually appear.

**Investment Advice:** Do not invest

### **SIX IN THE THIRD LINE**

**Managerial Issue:** The CEO – managing a corporation/project's initial difficulties - in a business of which the CEO knows little.

**Managerial Lesson:** Be informed.

**Managerial Warning:** At the third stage of the Initial Difficulties Time-Space, the CEO's initial difficulties arise from the fact that:

- He has entered into a corporation/project of which he knows almost nothing about, and
- He has done it without the necessary assistants to advise him about how to manage it.

**Managerial Advice:** The Superior CEO knows that:

- No investment should be made without the proper advice from experts.
- By investing without proper advice, he will only waste resources.
- He must shut down any project in which the corporation has no expertise and save as much as possible from the original investment before he loses it all (Jack Welch following Peter Drucker's recommendation to stay in industries where GE was number 1 or 2 only).

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH LINE**

**Managerial Issue:** The CEO - managing a corporation/project's initial difficulties - clearly requiring outside help.

**Managerial Lesson:** Be open.

**Managerial Warning:** At the fourth stage of the Initial Difficulties Time-Space, the CEO:

- Lacks the strength to hold the team together,
- Cannot execute this project alone without outside assistance, and
- Knows of the need of outside help but will not listen to the warning.

**Managerial Advice:** The Superior CEO has the inner strength and vision to both: to realize he needs help and to take it. He knows there is no shame in realizing one's own weakness and in making the necessary corrections when needed. He knows there is a manager out there who can save the project and will do everything within his power to find him.

**Investment Advice:** Do not invest.

### **NINE IN THE FIFTH LINE**

**Managerial Issue:** The CEO - managing a corporation/project's initial difficulties - arising from a lack of confidence created by a lack of communication.

**Managerial Lesson:** Be expressive/be cautious.

**Managerial Warning:** At the fifth stage of the Initial Difficulties Time-Space, the CEO must realize:

- His difficulties arise from the fact that he cannot communicate his plans and therefore cannot create confidence in the project.
- His opponents are seizing this opportunity to create confusion and to misinform the other executives.
- No new project, especially large ones, should be carried out without the proper communication and the employee's general understanding of the project and confidence in the same. This is crucial to create ownership, trust and loyalty to both the CEO as well as his project.

**Managerial Advice:** The Superior CEO:

- Continues to take one step at the time.
- Refrains from going for great projects because this would require of a great consensus in which all the parts are in common agreement.

- Gets a clear mandate from the investors and employees,
- Continues to work hard in those goals where everyone is in agreement.
- Pays attention to the smallest details.
- Is patient. He knows conditions will return to normal and all obstacles will disappear.

**Investment Advice:** Do not invest.

### **SIX IN THE SIXTH LINE**

**Managerial Issue:** The CEO – managing a corporation/project’s initial difficulties - that overwhelm him.

**Managerial Lesson:** Be determinate.

**Managerial Warning:** At the sixth stage of the Initial Difficulties Time-Space, the CEO's initial difficulties will prove too much for him as well as for his assistants. The financial and human resources are exhausted. In the case of a project, it will not be completed. In the case of a startup company it might head for bankruptcy,

**Managerial Advice:** The Superior CEO is aware that even if the financial and human resources are exhausted, what really brings a company to its bankruptcy when facing its initial difficulties is management’s unwillingness to continue the fight.

- The I Ching says: “*Such resignation is the saddest of all things*”.
- Confucius says of this line: “*Bloody tears flow: one should not persist in this.*”

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **General Electric Co. GE under CEO Jeffrey R. Immelt**

Jeffrey R. Immelt’s Performance:	ROI=	<b>(52.62%)</b>	Annualized Return=	<b>(7.29%)</b>
SPY’s Performance:	ROI=	186.46%	Annualized Return=	6.21%

Jeff Immelt became CEO of General Electric on September 7, 2001. Since then, his performance has been absolutely dismal as evidenced by the 50% drop in the value of the stock since his appointment. His performance has been so poor that he was named one of the five worst Non-Financial-Crisis-Related CEOs of 2008 by the Free Enterprise Action Fund.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

Initial Difficulties (3) tends to be negative.

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

### **2) THE ADVICE**

*Clouds and thunder: The image Of DIFFICULTY AT THE BEGINNING.  
Thus the superior man  
Brings order out of confusion.*

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*

### **3) THE LINES:**

There are four moving lines which describe the Time Space that GE is and will be going through. The fact that there are so many moving lines is unusual and point to danger. But what is of great concern is the six at the top which is very negative.

*0 Nine at the beginning means:  
Hesitation and hindrance.  
It furthers one to remain persevering.  
It furthers one to appoint helpers.*

*If a person encounters a hindrance at the beginning of an enterprise, he must not try to force advance but must pause and take thought. However, nothing should put him off his course; he must persevere and constantly keep the goal in sight. It is important to seek out the right*

*assistants, but he can find them only if he avoids arrogance and associates with his fellows in a spirit of humility. Only then will he attract those with whose help he can combat the difficulties.*

*Six in the fourth place means:*

*Horse and wagon part.*

*Strive for union.*

*To go brings good fortune.*

*Everything acts to further.*

*We are in a situation in which it is our duty to act, but we lack sufficient power. However, an opportunity to make connections offers itself. It must be seized. Neither false pride nor false reserve should deter us. Bringing oneself to take the first step, even when it involves a certain degree of self-abnegation, is a sign of inner clarity. To accept help in a difficult situation is not a disgrace. If the right helper is found, all goes well.*

*0 Nine in the fifth place means:*

*Difficulties in blessing.*

*A little perseverance brings good fortune.*

*Great perseverance brings misfortune.*

*An individual is in a position in which he cannot so express his good intentions that they will actually take shape and be understood. Other people interpose and distort everything he does. He should then be cautious and proceed step by step. He must not try to force the consummation of a great undertaking, because success is possible only when general confidence already prevails. It is only through faithful and conscientious work, unobtrusively carried on, that the situation gradually clears up and the hindrance disappears.*

*Six at the top means:*

*Horse and wagon part.*

*Bloody tears flow.*

The difficulties at the beginning are too great for some persons. They get stuck and never find their way out; they fold their hands and give up the struggle. Such resignation is the saddest of all things. Therefore

Confucius says of this line:

"Bloody tears flow: one should not persist in this."

#### **4) THE MOVING HEXAGRAM**

Progress (35) is positive and points to the possibility that Immelt might pull it off after much difficulties. But the question is: can the investor go through so many difficulties when there is a better alternative?

*The hexagram represents the sun rising over the earth. It is therefore the symbol of rapid, easy progress, which at the same time means ever widening expansion and clarity.*

**THE JUDGMENT**



*PROGRESS.*

*The powerful prince*

*Is honored with horses in large numbers.*

*In a single day he is granted audience three times.*

*As an example of progress, this pictures a time when a powerful feudal lord rallies the other lords around the sovereign and pledges fealty and peace. The sovereign rewards him richly and invites him to a closer intimacy.*

*A twofold idea is set forth here. The actual effect of the progress emanates from a man who is in a dependent position and whom the others regard as their equal and are therefore willing to follow. This leader has enough clarity of vision not to abuse his great influence but to use it rather for the benefit of his ruler. His ruler in turn is free of all jealousy, showers presents on the great man, and invites him continually to his court. An enlightened ruler and an obedient servant - this is the condition on which great progress depends.*

## **04 - YOUTHFUL FOLLY**

### **MANAGERIAL ISSUE:**

The CEO – managing under the weight of his youthful inexperience or lack of managerial experience – how it affects the corporation.

Hexagram 4 represents the CEO's:

- Youth, and his lack of managerial experience, as well as lack of knowledge of the industry. However, by no means does it represent the CEO's lack of intelligence.
- Inability to take action in the face of unknown dangers. To the I Ching, the problem with youth lies in not knowing what to do in the face of danger: "*Stopping in perplexity on the brink of a dangerous abyss is a symbol of the folly of youth*". The I Ching envisions the time when the CEO will freeze because he does not know how to deal with the problems he will encounter in this industry, thus his Youthful Folly. The irony lies in the notion that the same act of freezing in the midst of danger sometimes, strangely enough, helps him to succeed - but only sometimes. In a way, if and when success is achieved, it is to be seen as beginner's luck assisted by able helpers and not as the result of the CEO's wisdom and experience.

### **MANAGERIAL LESSON:**

The Superior CEO realizes there is nothing wrong with lack of experience provided there is humility, awareness of one's lack of knowledge/experience, relentless search for a wise teacher, respect for his teacher and a sincere desire to learn. With the proper attitude, he may still be successful.

The Superior CEO knows the best course of action when he lacks knowledge is to:

- 1) Be humble. Seek and rely on expert advice as the sure way to achieve success.
- 2) Be respectful - Show respect for his experienced advisors by executing the advice exactly as he was told. The worst attitude would be for the inexperienced CEO to ask for advice and then proceed to do as he pleases. This unfortunately is a common event. Read the book Focus of Al Ries to realize all the folly of the CEOs.
- 3) Be thorough/Skip nothing - Continue to practice until he gets it right. For the CEO, to learn about an industry he must continuously practice, with the help of experienced assistants, until he becomes an expert. Through constant practice, he will become successful. Tenacity, the kind U.S. Grant had, is the key to success.

This was the Hexagram of George W Bush. His adversaries were wrong when they thought he was not smart. Gore and Kerry found that out. He was inexperienced. And he was smart enough to follow the I Ching's advice - to surround himself by the more experienced members of

his father's previous Cabinet. The problem was that unbeknownst to him, the Cabinet was split in two: the conservatives and the Neo Cons who were spoiling for a war. We all know what happened.

## **INVESTMENT ADVICE:**

For the investor, the Youthful Folly represents in general terms an unfavorable Time-Space to invest.

Hexagram 4 (Youthful Folly) is not for the common CEO/investor who should look for easier projects/investment alternatives. In a way, this Hexagram at times might even imply the CEO/investor's doubt about the I Ching's advice and the I Ching's contempt for his attitude. The I Ching also gives the CEO/investor an important warning: because the CEO/investor goes to the I Ching to ask for advice rather than the I Ching going to the CEO/investor, it is the CEO/investor's duty to pay close attention and ask the question only once. It would be typical of some CEO/investors who ask the Oracle the same question again and again. When that happens, the I Ching will only play with the CEO/investor and sometimes even confuse him on purpose.

When the I Ching tells the CEO/Investor at first that a project/investment will not be profitable, he should look for another one and not insist with more questions about the same project/investment. After all, there are over 15,000 stocks to choose from in the market. The I Ching is very clear and very definite in its answers to the questions.

The I Ching will not help the CEO/investor who shows doubt.

- The I Ching says *"A teacher's answer to the question of a pupil ought to be clear and definite like that expected from an Oracle; thereupon it ought to be accepted as a key for resolution of doubts and a basis for decision. If mistrustful or unintelligent questioning is kept up, it serves only to annoy the teacher. He does well to ignore it in silence, just as the Oracle gives one answer only and refuses to be tempted by questions implying doubt."*

By itself (no lines), the Time-Space points to success provided the CEO is humble:

*YOUTHFUL FOLLY has success.  
It is not I who seek the young fool;  
The young fool seeks me.  
At the first Oracle I inform him.  
If he asks two or three times, it is importunity.  
If he importunes, I give him no information.  
Perseverance furthers.*

*In the time of youth, folly is not an evil. One may succeed in spite of it, provided one finds an experienced teacher and has the right attitude toward him. This means, first of all, that the youth himself must be conscious of his lack of experience and must seek out the teacher. Without this modesty and this interest there is no guarantee that he has the necessary receptivity, which should express itself in respectful acceptance of the teacher. This is the reason why the teacher must wait to be sought out instead of offering himself. Only thus can the instruction take place at the right time and in the right way.*

*A teacher's answer to the question of a pupil ought to be clear and definite like that expected from an Oracle; thereupon it ought to be accepted as a key for resolution of doubts and a basis for decision. If mistrustful or unintelligent questioning is kept up, it serves only to annoy the teacher. He does well to ignore it in silence, just as the Oracle gives one answer only and refuses to be tempted by questions implying doubt.*

*Given in addition a perseverance that never slackens until the points are mastered one by one, real success is sure to follow. Thus the hexagram counsels the teacher as well as the pupil.*

The lines, however, present two rare possibilities to invest but there are better possibilities in other corporations:

The following are cases of corporations under the Youthful Folly Time-Space:

- **Deutsche Bank AG DB under CEO Josef Ackermann**
- **Celgene Corporation CELG under CEO Robert J. Hugin**
- **American Express Company AXP under CEO Kenneth I. Chenault**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST LINE**

**Managerial Issue:** The CEO – managing under the weight of his youthful folly - inexperience and immaturity.

**Managerial Lesson:** Be disciplined.

**Managerial Warning:** At the first stage of the Youthful Folly Time-Space, the CEO takes his managerial responsibilities in a light manner. His behavior is erratic. On the one hand he does not follow any rules himself, and on the other he does not impart any discipline on the employees. Worse, because of his inexperience, he does not know how to punish. And when he does carry out a punishment, he goes over board and punishes the personnel in an excessive manner.

**Managerial Advice:** The Superior CEO understands he must first apply discipline to himself before he applies it to others.

The I Ching advises the CEO something that should be written in letters of gold by private industry, government, parents, teachers and anyone else who wants to learn the essence of management:

- *Law is the beginning of education.*

To apply discipline to others we must first apply it to ourselves, to conquer others, we must first conquer ourselves. The I Ching advises the CEO to be serious about his job and to apply discipline to both himself and others, but without stifling personal growth and creativity.

- The I Ching says, *“Youth in its inexperience is inclined at first to take everything carelessly and playfully. It must be shown the seriousness of life. A certain measure of taking oneself in hand, brought about by strict discipline, is a good thing. He who plays with life never amounts to anything. However, discipline should not degenerate into drill. Continuous drill has a humiliating effect and cripples a man's powers.”*

**Investment Advice:** Do not invest

### **NINE IN THE SECOND LINE**

**Managerial Issue:** The CEO – managing the employees’ youthful inexperience – his lack of power.

**Managerial Lesson:** Be gracious.

**Managerial Warning:** At the second stage of the Youthful Folly Time-Space, the CEO has the qualities, the smarts, the experience, the maturity to do the job, and *enough strength of mind to bear his burden of responsibility*. But he has no power. However; he has two qualities, which will bring about an eventual success:

- He has the patience to put up with the youthful inexperience of his personnel, and
- He has the kindness to turn them around without insulting them.

Yet this does not represent a winning team but rather the abilities of a single person.

**Managerial Advice:** The Superior CEO is kind and tolerant.

The I Ching’s advice to the CEO could be regarded as a controversial one, particularly amongst women. It advises the CEO to treat his personnel the same way one should treat women; to be kind, tolerant, understanding and to recognize their merits, because women, like any other large social body (i.e. a nation or a corporation) require chivalrous consideration.

- The I Ching says: *“The same attitude is owed to women as the weaker sex. One must understand them and give them recognition in a spirit of chivalrous consideration. Only this combination of inner strength with outer reserve enables one to take on the responsibility of directing a larger social body with real success”.*

**Investment Advice:** Do not invest

### **SIX IN THE THIRD LINE**

**Managerial Issue:** The CEO – managing under the weight of his youthful inexperience - his lack of dignity.

**Managerial Lesson:** Be dignifying.

**Managerial Warning:** At the third stage of the Youthful Folly Time-Space, the CEO is not only inexperienced but is also a wimp. He lacks character, the essence of leadership. He is an imitator of the CEO of the most successful corporation in his industry. He has failed to create a corporate culture. This line represents both the typical corporation that copies its products from the more successful competitors, as well as a corporation, which is desperately looking for someone to buy it out.

**Managerial Advice:** The Superior CEO develops his character and dignity to earn the respect of others and be successful. Any CEO, who is looking for a buyer for his corporation, must wait until someone approaches it first rather than go out desperately looking for the first buyer that comes along.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH LINE**

**Managerial Issue:** The CEO – managing under the weight of his youthful inexperience – his unreal fantasies.

**Managerial Lesson:** Be real.

**Managerial Warning:** At the fourth stage of the Youthful Folly Time-Space, the CEO lacks the necessary humility to be successful: he is arrogant about his goals for his corporation, which are completely unrealistic. And to compound the error, he seeks but will not heed the advice of his most experienced counselors. The I Ching warns him that the obsessive execution of his unrealistic plans will lead the corporation to lose its best people and will cause an eventual drop in the value of the stock, as well as his own demise.

**Managerial Advice:** The Superior CEO is humble. He knows that when his attitude is not humble and his corporate goals are unrealistic, no decent consultant or assistant will be willing to work for his corporation. In a way this is good, because out of the catastrophe will come the change in management and the corporation's eventual turnaround.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH LINE**

**Managerial Issue:** The CEO – managing under the weight of his youthful inexperience – when he lacks knowledge but has plenty of humility and is desperately willing to learn.

**Managerial Lesson:** Be solicitous.

**Managerial Warning:** At the fifth stage of the Youthful Folly Time-Space, the inexperienced CEO has the humility but might not look for the proper teacher.

**Managerial Advice:** The Superior CEO is humble enough to always look for wise teachers who can guide him and correct him.

The I Ching comments the CEO's humility will eventually bring him success.

In a way this represents some of the Japanese companies in their beginnings. They had a tremendous desire to improve themselves and to succeed; they were also very humble and desirous to learn from the West. This in turn was flattering for the western companies, which were willing to share their knowledge with them. The Chinese are following the same course now.

**Investment Advice:** Do not invest. There are better alternatives.

### **NINE IN THE SIXTH LINE**

**Managerial Issue:** The CEO - managing under the weight of his youthful inexperience – stupidity beyond repair.

**Managerial Lesson:** Be repentant.

**Managerial Warning:** At the sixth stage of the Youthful Folly Time-Space, the CEO is so inexperienced and so arrogant that there is no hope for him. The market has already become aware of the CEO's arrogance and poor managerial abilities and his corporation is about to reflect this fact with a mayor correction in the price of the stock. This correction will be kept up until the Board of Directors changes the CEO or his goals in which case the market will probably push the price of the stock up. After all, this corporation in essence is good, but the Board of Directors has to first make some major changes, beginning with its CEO. This was certainly the case of ATT when it's foolish CEO decided to buy NCR out.

**Managerial advice:** The Superior CEO is humble at all times.

The I Ching would advise us that when a CEO is so arrogant and so stupid that he will not listen to the experts' advice in matters he knows nothing about, and when he insists in executing his strategies against the advice of his own experts, then it is time for the Board of Directors to replace him. However, the I Ching warns us that such punishment must not be done in anger:

- *“Sometimes an incorrigible fool must be punished. He who will not heed will be made to feel. This punishment is quite different from a preliminary shaking up. But the penalty should not be imposed in anger; it must be restricted to an objective guarding against unjustified excesses. Punishment is never an end in itself but serves merely to restore order.”*

**Investment Advice:** Do not invest. Follow it closely for the inevitable changes.

## MANAGERIAL CASES

### Deutsche Bank AG DB under CEO Josef Ackermann

Josef Ackermann's Performance:	ROI=	(48.61%)	Annualized Return=	(11.43%)
SPY's Performance:	ROI=	3.44%	Annualized Return=	0.62%

Josef Ackermann became CEO of Deutsche Bank on February 1, 2006. His performance is classic of the Youthful Folly Time-Space. Smart CEOs (Doctorates) lacking in maturity and experience, who refuse to follow the I Ching's advice: to surround themselves with the most talented and experienced managers and to listen and follow their advice to the letter.

*Joe Ackermann came to Deutsche Bank with the clear goal of making the traditional German bank a competitor to the most successful Wall Street investment banks.*

*"The entire pools of loans that Deutsche Bank securitized and to a large degree originated in the transactions are plagued by rampant fraud and misrepresentations and an abdication of sound origination and underwriting practices," Assured stated in its New York court filing. They declared, "more than 83 percent of 1,306 defaulted loans examined in one of the transactions... breached Deutsche Bank's representations and warranties." In other plain language, they claim Deutsche Bank lied. In the second deal, Home Equity Loan Trust, 86 percent of the 1,774 loans breached the agreements, Assured said*

*According to Bloomberg financial writer and author, Michael Lewis, under Ackermann's leadership at Deutsche Bank, the bank, through its New York offices, set out to outdo Goldman Sachs in the home mortgage securitization bonanza of the past decade. Lewis documents the fact that Deutsche Bank in New York was selling what it knew were toxic waste or junk mortgage bonds on US subprime mortgages to "stupid German investors in Duesseldorf" as one Deutsche Bank New York bond trader told Lewis.<sup>2</sup>*

*The "stupid German investors in Duesseldorf" it turns out, were IKB, the daughter of the German state Kreditanstalt fur Wiederaufbau. The interesting point is that Ackermann's DB sold what were allegedly fraudulently-constructed "AAA" CDO's or Collateralized Debt Obligations; some of the highest risk fraudulent derivatives from Wall Street mortgages to IKB at a time Deutsche Bank knew or should have known that the US mortgage default crisis was beginning to explode. In effect it appears that the DB dumped its toxic waste onto IKB. At the same time Deutsche Bank was selling exotic US real estate collateralized debt obligations to the "stupid German investors" at IKB, it was aggressively organizing other Wall Street banks and hedge fund managers to bet on the crash of that same mortgage bubble. No one at Deutsche Bank headquarters in Frankfurt seemed to mind so long as the profits rolled in from all parties. <sup>3</sup>*

*To add injury to insult, or even more injury to injury, Deutsche Bank's Ackermann personally sent a notice to the head of the German bank regulator, BaFin-Chef Jochen Sanio, on July 27, 2007, kindly alerting the German regulators that IKB held a pile of toxic bonds and that the bank could be in trouble. Ackermann even went public to the press and admitted he knew because Deutsche Bank had sold the toxic financial securities to IKB.<sup>4</sup>*



*That announcement by Ackermann is credited with bringing IKB to the brink of bankruptcy and necessitating a state taxpayer rescue of billions. What the charitable Herr Ackermann did not divulge is how much profit his bank might have made in the collapse of IKB. The collapse of IKB, as I detail in my *Der Untergang des Dollar Imperiums* ((PLEASE hyperlink)), was the catalyst to explode the multi-trillion Euro US financial bubble worldwide, a bubble which today is far from deflated.*

*Notable as well is the fact that two days after being sued for fraud in New York court, Deutsche Bank announced that it had set aside more in compensation for employees of its corporate and investment bank in the first nine months of 2010 than Goldman Sachs. Deutsche Bank reserved enough money to pay a bonus of 285,352 euros to each of the 16,194 workers at the division, which includes transaction banking, company data show. But that money goes only to a handful of top traders whose bonus is likely in the tens of millions. "The market continues to be very competitive and top talent has its value and its price and we cannot ignore that fact," Deutsche Bank Chief Financial Officer Stefan Krause said according to a report in *Business Week* magazine. "And the beat goes on, and the beat goes on, on, on..." as the pop song goes.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

Youthful Folly (4) is negative

*YOUTHFUL FOLLY has success.  
It is not I who seek the young fool;  
The young fool seeks me.  
At the first Oracle I inform him.  
If he asks two or three times, it is importunity.  
If he importunes, I give him no information.  
Perseverance furthers.*

*In the time of youth, folly is not an evil. One may succeed in spite of it, provided one finds an experienced teacher and has the right attitude toward him. This means, first of all, that the youth himself must be conscious of his lack of experience and must seek out the teacher. Without this modesty and this interest there is no guarantee that he has the necessary receptivity, which should express itself in respectful acceptance of the teacher. This is the reason why the teacher must wait to be sought out instead of offering himself. Only thus can the instruction take place at the right time and in the right way.*

*A teacher's answer to the question of a pupil ought to be clear and definite like that expected from an Oracle; thereupon it ought to be accepted as a key for resolution of doubts and a basis for decision. If mistrustful or unintelligent questioning is kept up, it serves only to annoy the teacher. He does well to ignore it in silence, just as the Oracle gives one answer only and refuses to be tempted by questions implying doubt.*

*Given in addition a perseverance that never slackens until the points are mastered one by one, real success is sure to follow. Thus the hexagram counsels the teacher as well as the pupil.*

## 2) THE ADVICE

*A spring wells up at the foot of the mountain: The image of YOUTH.  
Thus the superior man fosters his character  
By thoroughness in all that he does.*

*A spring succeeds in flowing on and escapes stagnation by filling up all the hollow places in its path.  
In the same way character is developed by thoroughness that skips nothing but, like water, gradually  
and steadily fills up all gaps and so flows onward.*

## 3) THE LINES:

There are two moving lines which point to failure. The more worrisome is the last or the nine at the top which warns him: *Sometimes an incorrigible fool must be punished. He who will not heed will be made to feel.*

Six in the third place means:

*Take not a maiden who  
When she sees a man of bronze,  
Loses possession of herself.  
Nothing furthers.*

*A weak, inexperienced man, struggling to rise, easily loses his own individuality when he slavishly imitates a strong personality of higher station. He is like a girl throwing herself away when she meets a strong man. Such a servile approach should not be encouraged, because it is bad both for the youth and the teacher. A girl owes it to her dignity to wait until she is wooed. In both cases it is undignified to offer oneself, and no good comes of accepting such an offer.*

Nine at the top means:

*In punishing folly  
It does not further one  
To commit transgressions.  
The only thing that furthers is to prevent transgressions.*

*Sometimes an incorrigible fool must be punished. He who will not heed will be made to feel. This punishment is quite different from a preliminary shaking up. But the penalty should not be imposed in anger; it must be restricted to an objective guarding against unjustified excesses. Punishment is never an end in itself but serves merely to restore order.*

*This applies not only in regard to education but also in regard to the measures taken by a government against a populace guilty of transgressions. Governmental interference should always be merely preventive and should have as its sole aim the establishment of public security and peace.*

## 4) THE MOVING HEXAGRAM

Hexagram 46 – Sheng - Pushing Upward is positive

## THE JUDGMENT

### PUSHING UPWARD

*has supreme success.*

*One must see the great man.*

*Fear not.*

*Departure toward the south*

*Brings good fortune.*

*The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*

## American Express Company AXP under CEO Kenneth I. Chenault

Kenneth I. Chenault's Performance: ROI= 2.00%

Annualized Return= 0.19%

SPY's Performance:

ROI= 4.01%

Annualized Return= 0.37%

The I Ching's warning of Chenault's incompetence is evidenced by his poor performance since he became CEO (Jan 2001).

The I Ching warned him about entangling himself with empty imaginings. What does it mean? Overreaching to obtain returns he well knew were not in accordance with corporate risk acceptance.

David Evans of Bloomberg wrote:

*"The numbers looked compelling. Buy this investment-grade collateralized debt obligation and you'll get a return of up to 10 percent, Credit Suisse Group said. That was almost 25 percent more than the average yield on a similarly rated corporate bond.*

*Investors snapped up the \$340.7 million CDO, a collection of securities backed by bonds, mortgages and other loans, within days of the Dec. 12, 2000, offering. The CDO buyers had assurances of its quality from the three leading credit rating companies --Standard & Poor's, Moody's Investors Service and Fitch Group Inc. Each had blessed most of the CDO with the highest rating, AAA or Aaa.*

*Investment-grade ratings on 95 percent of the securities in the CDO gave no hint of what was in the debt package -- or that it might collapse. It was loaded with risky debt, from junk bonds to subprime home loans. During the next six years, the CDO plummeted as defaults mounted in its underlying securities. By the end of 2006, losses totaled about \$125 million.*

*The failed Credit Suisse CDO may be an omen of far worse to come in the booming market for these investments.*

### **American Express Loss**

*American Express Co. learned about risky CDOs the hard way. The New York-based company invested in high-yield CDO transactions starting in 1998. By 2001, American Express reported losses of more than \$1 billion from those investments.*

*Chief Executive Officer Kenneth Chenault told shareholders in a July 2001 conference call that the company didn't understand CDO risk. He said when his traders first bought CDOs; defaults were at historically low levels.*

*“Many of the structured investments were investment grade, so they thought they had a reasonable level of protection against loss” he told investors. “It is now apparent that our analysis of the portfolio did not fully comprehend the risk underlying these structures during a period of persistently high default rates”*

*As a result, he said, American Express would stop buying CDOs. Chenault declined to comment for this story.”*

Kenneth I. Chenault should never have become CEO of American Express. The union of both created a negative Time-Space. He continues entangling himself with empty imaginings. After having harmed the shareholders, the honorable thing for him to do would be to resign as soon as possible. But why should he? He continues to make millions for running his corporation into the ground.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

The lines point to a negative performance and the need for him to resign.

*Six in the fourth place means:  
Entangled folly brings humiliation.*

*For youthful folly it is the most hopeless thing to entangle itself in empty imaginings. The more obstinately it clings to such unreal fantasies, the more certainly will humiliation overtake it.*

*Often the teacher, when confronted with such entangled folly, has no other course but to leave the fool to himself for a time, not sparing him the humiliation that results. This is frequently the only means of rescue.*

#### **4) THE MOVING HEXAGRAM**

The moving Hexagram (64) tends to be positive but gives him a warning about being careless.

##### *HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

##### *THE JUDGMENT BEFORE COMPLETION.*

*Success.*

*But if the little fox, after nearly completing the crossing,  
Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

## **Celgene Corporation CELG under CEO Robert J. Hugin**

Robert J. Hugin's Performance:	ROI= 11.25%	Annualized Return= 10.22%
SPY's Performance:	ROI= 19.66%	Annualized Return= 17.79%

Robert Hugin became CEO of Celgene in June of 2010. He is too new in the job to see the entire development of the Youthful Folly Time Space. The I Ching is giving him a warning about his

Youthful Inexperience and his need to surround himself with wise men. He also has one advantage over the other two CEOs in that he has no moving lines.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

There are no moving lines. This is positive because the lines in the Youthful Folly Hexagram tend to be negative.

### **4) THE NUCLEAR HEXAGRAM**

Because there are no moving lines it is a good idea to look at the Nuclear Hexagram, which is Hexagram 24 The Return of the Light or the Turning point. This hexagram tends to be excellent.

#### *HEXAGRAM 24 – Fu - Return (The Turning Point)*

*The idea of a turning point arises from the fact that after the dark lines have pushed all of the light lines upward and out of the hexagram, another light line enters the hexagram from below. The time of darkness is past. The winter solstice brings the victory of light. This hexagram is linked with the eleventh month, the month of the solstice (December-January).*

#### *THE JUDGMENT*

*RETURN. Success.*

*Going out and coming in without error.*

*Friends come without blame.*

*To and fro goes the way.*

*On the seventh day comes return.*

*It furthers one to have somewhere to go.*

*After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force. The upper trigram K'un is characterized by devotion; thus the movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time; therefore no harm results. Societies of people sharing the same views are formed. But since these groups come together in full public knowledge and are in harmony with the time, all selfish separatist tendencies are excluded, and no mistake is made.*

*The idea of RETURN is based on the course of nature. The movement is cyclic, and the course completes itself. Therefore it is not necessary to hasten anything artificially. Everything comes of itself at the appointed time. This is the meaning of heaven and earth.*

*All movements are accomplished in six stages, and the seventh brings return. Thus the Winter solstice, with which the decline of the year begins, comes in the seventh month after the summer solstice; so too sunrise comes in the seventh double hour after sunset. Therefore seven is the number of the young light, and it arises when six, the number of the great darkness, is increased by one. In this way the state of rest gives place to movement.*

#### *THE IMAGE*

*Thunder within the earth: The image of THE TURNING POINT.  
Thus the kings of antiquity closed the passes  
At the time of solstice.  
Merchants and strangers did not go about,  
And the ruler  
Did not travel through the provinces.*

*The winter solstice has always been celebrated in China as the resting time of the year - a custom that survives in the time of rest observed at the new year. In winter the life energy, symbolized by thunder, the Arousing is still underground. Movement is just at its beginning; therefore it must be strengthened by rest, so that it will not be dissipated by being used prematurely. This principle, i.e., of allowing energy that is renewing itself to be reinforced by rest, applies to all similar situations. The return of health after illness, the return of understanding after an estrangement: everything must be treated tenderly and with care at the beginning, so that the return may lead to a flowering.*

## **05 - WAITING**

### **MANAGERIAL ISSUE:**

The CEO - waiting patiently when danger is all around him for the corporation's economic improvement to come on its own time.

Hexagram 5 addresses both the CEO of the corporation as well as the investor. Both must wait until the corporation's economic conditions improve. Neither must take any immediate action. Prosperity will come when Heaven wills it. This is a mandate from Heaven and there is absolutely nothing that can be done about it. The corporation has all the necessary elements to be successful; nevertheless, at this particular time, it is going through a very difficult period. For the investor as well as for the CEO who has the strength and the willingness to wait, the returns will be very positive.

The CEO can wait because he has the inner certainty Heaven will be on his side when the proper time comes. Heaven will bestow great opportunities to this corporation in due time, provided the CEO can wait patiently.

Louis V. Gerstner, Jr. of IBM is a good example of the proper attitude during the Waiting Time-Space. IBM had gone through a very difficult period; however, Gerstner knew IBM had all that was necessary to return to its former greatness. This was *not mere empty hoping*. *He had the inner certainty of reaching the goal*. IBM had a great corporate culture and the financial strength. Its new management had the humility and the strength to face its own problems and to take the necessary measures (through joint ventures and restructurings). He did a corporate self-examination and faced the truth. But what is most important is that he had the tenacity to carry out the necessary corrections to regain its past glory. The CEO knew IBM had all the elements for success and all he had to do was be patient.

### **MANAGERIAL LESSON:**

The I Ching presents the following sequence of steps the CEO must take while waiting for profitability to eventually return:

1. All corporations need to become profitable.
2. Profitability is Heaven sent.
3. Profitability will come only when Heaven so ordains it. It cannot be rushed.
4. Profitability implies facing certain dangers.
5. The CEO must be strong enough to face these dangers.
6. The CEO's strength will help him wait until his destiny is revealed.
7. The CEO must know himself well enough so as to be confident he will reach the goals.
8. The CEO's confidence ensures the corporation will be profitable.
9. The CEO's self-knowledge and confidence lead to his tenacity.
10. The CEO's tenacity will make him keep real goals in mind (no wishful thinking).
11. The corporation's profitability begets more profitability.



12. The corporation's steady increases in its profitability allow the CEO to implement new projects.

### The Superior CEO:

- 1) Relaxes and is patient. He keeps the corporation's financial strength for the right moment. Meanwhile he waits. This waiting period is recommended by the I Ching itself and carries the wisdom of the sages. It is the sound advice of an expert. This alone should be enough to encourage him while he waits. The economic scenario approaching is negative. There could be a recession or a downturn in the corporation's business due to a change in consumer preference or changes in technology. This is not the time to set up goals or plan for grand schemes or strategies. This is the time to strengthen the corporate balance sheet. Such was the case of Citicorp during the eighties when it almost went bankrupt for Real estate related loans. Its Chairman established a policy of bulletproofing the bank to face the heavy competition from the Japanese banks and the banking industry's downturn. Thus the advice to nourish the corporation and wait patiently was the proper one for the time. And so it is for Pandit, Citicorp's present CEO – he has the backing of the government because Citi is too big to fail. All he has to do is wait patiently for the profitability to return.
- 2) Accepts this event as Heaven sent. This is a matter of Heaven's will and when fate is at work there is nothing to be done except wait. It is of no use to try to act before the proper time, as it will only make matters worse. Meanwhile, however, he must strengthen the corporation for such a proper time.
- 3) Maintains the correct attitude. The I Ching advises the CEO to be true to his own self because only then will he have the strength to go through the waiting period. If the CEO is true to his principles, if he is willing to cast away anything that is of no value to the corporation, if he is willing to see things for what they are and not for what he wants them to be, then Heaven will shed the light on him so that he may see the true path. However, once Heaven has shown him the true path, then he must be tenacious in pursuing such path. Anything less than a complete and full commitment will result in failure.

Hexagram 5 represents one of the best managerial lessons. Waiting is an art. All CEOs must learn to wait. Even though there would appear to be a stigma attached to waiting, there is nothing cowardly in waiting when waiting is the best alternative. The CEO requires great strength to wait particularly when facing danger. The weak CEO, on the other hand will lose his nerve in the face of danger and act foolishly, thus placing the corporation in a dangerous position.

### **INVESTMENT ADVICE:**

For the investor, the Waiting represents a favorable Time-Space to invest

By itself (no lines), the Time-Space points to success provided the CEO perseveres:

*WAITING. If you are sincere,  
You have light and success.*

*Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

The Lines present good possibilities to invest in the second, the fifth and the sixth places,

For the investor as well as for the CEO, patience is a virtue. Warren Buffett speaks of holding a stock forever. The I Ching would not agree with this concept as every corporation goes through different periods depending on who the Board of Directors has elected as its CEO. A bad CEO can ruin a corporation as in the case of Stan O'Neal of Merrill Lynch. The I Ching warned the investors about the dangers of investing in Merrill Lynch's stock. Those who believed in "buy and Hold" almost lost their entire investment.

The Waiting period, depending on the lines, can be a very profitable Time-Space. However, in general and if possible, it is best to look for more favorable investments.

- The I Ching says: *"When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready."*

The following are cases of corporations under the Waiting Time-Space:

- **Dollar Tree, Inc. DLTR under CEO Bob Sasser**

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – waiting patiently for the corporation's economic improvement to come on its own time - when danger is not yet evident.

**Managerial Lesson:** Be preventive.

**Managerial Warning:** At the first stage of the Waiting Time-Space, the CEO must realize it is never too early to strengthen the corporation. Even though the worst times to come are still too far away, they will surely come.

**Managerial Advice:** The Superior CEO is always on guard for what is to come. That is, he continues with his regular line of business but takes no unnecessary chances. By such a policy, he keeps his corporation's financial strength and avoids making mistakes.

**Investment Advice:** Do not invest. Keep this investment in mind.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – waiting patiently for the corporation's economic improvement to come on its own time - when danger is becoming more evident.

**Managerial Lesson:** Be quiet.

**Managerial Warning:** At the second stage of the Waiting Time-Space, the CEO must now prepare for the difficult times which draw very near. He will face opposition from his executives and heavy criticism from all quarters including the Board of Directors, the stockholders and the Press.

**Managerial Advice:** The Superior CEO keeps quiet and avoids getting into a shouting contest with any of his critics. He knows such policy will take away the anger from his critics' worst attacks. This was the case of Citicorp's Reed, who wisely kept quiet during Citicorp's darkest hours. This is no time for finger pointing.

**Investment Advice:** Invest

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – waiting patiently for the corporation's economic improvement to come on its own time - waiting in the wrong place when danger threatens his corporation.

**Managerial Lesson:** Be dead serious.

**Managerial Warning:** At the third stage of the Waiting Time-Space, the CEO has miscalculated the timing and failed to strengthen the corporate balance sheet. He risks placing the corporation in a dangerous position and exposing it to a possible takeover. Its enemies will try to either buy it or destroy it.

**Managerial Advice:** The Superior CEO realizes the depth of his corporation's weakness and maintains a very serious attitude in the face of danger. He knows such attitude might still save the corporation.

**Investment Advice:** Do not invest

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – waiting patiently for the corporation’s economic improvement to come on its own time - when danger is at its peak.

**Managerial Lesson:** Be serene.

**Managerial Warning:** At the fourth stage of the Waiting Time-Space, the CEO must realize the worst has arrived and must face the imminent destruction of his corporation. If its enemies are successful and buy it out, they will lay off many employees.

**Managerial Advice:** The Superior CEO waits with resignation and strength until the worst is over. He knows there is nothing he can do – he can neither attack nor withdraw. He is in the hands of Heaven and if Heaven so ordains it, the corporation will survive. In this particular line when danger is at its worst the best thing to do is to wait. This attitude of *“composure, which keeps us from aggravating the trouble by anything we might do, is the only way of getting out of the dangerous pit.”* For the I Ching not doing is as important as doing.

**Investment Advice:** Do not invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – waiting patiently for the corporation’s economic improvement to come on its own time - waiting between periods of danger.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the fifth stage of the Waiting Time-Space, the CEO is dealing with a corporate crisis at its worst; yet, there is a silver lining. His corporation will get a Heaven sent break, which will enable him to strengthen it and improve its chances for survival.

**Managerial Advice:** The Superior CEO makes the best of these moments of relative calm by strengthening the corporation while resisting with determination. He knows success lies in keeping an eye on the goal at all times while maintaining a certain cheerfulness even in the face of danger. This means waiting because the Superior CEO is certain there will be a way out rather than waiting because there is no way out.

The I Ching says; *“Herein lies the secret of the whole hexagram. It differs from Chien, OBSTRUCTION (39), in the fact that in this instance, while waiting, we are sure of our cause and therefore do not lose the serenity born of inner cheerfulness”.*

**Investment Advice:** Invest.

## SIX IN THE SIXTH PLACE

**Managerial Issue:** The CEO – waiting patiently for the corporation's economic improvement to come on its own time - waiting in the midst of the inevitable destruction.

**Managerial Lesson:** Be hopeful.

**Managerial Warning:** At the sixth stage of the Waiting Time-Space, the CEO must realize his efforts have been in vain. He has not been able to save his corporation. This is his corporation's worst situation. Yet in the midst of all the worst, an unexpected investor has shown interest mainly due to the CEO's positive attitude. The investor's intentions are not clear. Nevertheless, there is a positive way out.

**Managerial Advice:** The Superior CEO keeps the same positive attitude towards the new potential owners. Such positive attitude, might save the corporation and its future.

Historically we can compare this line to Emperor Hirohito's attitude when facing the defeat of Japan. Both he and his empire were at the worst of dangers. Yet he trusted and waited calmly and Heaven favored Japan with good fortune after all. In the midst of so much destruction Japan's turned its former enemy into its best friend. This is called "embracing the enemy" or throwing one's arms around him to show him friendliness while holding his arms tight so that that he may not raise his arms against one.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### **Dollar Tree, Inc. DLTR under CEO Bob Sasser**

Bob Sasser Performance:	ROI= 248.07%	Annualized Return= 17.95%
SPY's Performance:	ROI= 20.91%	Annualized Return= 2.55%

Bob Sasser has been CEO of Dollar Tree since 2004. Since then, he has been able to substantially outperform the SPY.

However, because he has been CEO for almost a decade, we asked the Oracle once more about his future Time-Space. The result is the Waiting.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

Waiting is a negative condition which forces the CEO to wait for the time when the conditions will improve.

*WAITING. If you are sincere,  
You have light and success.  
Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

### **2) THE ADVICE**

*Clouds rise up to heaven: The image of WAITING.  
Thus the superior man eats and drinks,  
Is joyous and of good cheer.*

*When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready.*

### **3) THE LINES:**

There is one moving line and it is positive

*Nine in the second place means:*  
*Waiting on the sand.  
There is some gossip.  
The end brings*

good fortune.

*The danger gradually comes closer. Sand is near the bank of the river, and the water means danger. Disagreements crop up. General unrest can easily develop in such times, and we lay the blame on one another. He who stays calm will succeed in making things go well in the end. Slander will be silenced if we do not gratify it with injured retorts.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 63 - Chi Chi - After Completion

*This hexagram is the evolution of T'ai, PEACE (11). The transition from confusion to order is completed, and everything is in its proper place even in particulars. The strong lines are in the strong places, the weak lines in the weak places. This is a very favorable outlook, yet it gives reason for thought. For it is just when perfect equilibrium has been reached that any movement may cause order to revert to disorder. The one strong line that has moved to the top, thus effecting complete order in details, is followed by the other lines, each moving according to its nature, and thus suddenly there arises again the hexagram P'i, STANDSTILL (12).*

*Hence the present hexagram indicates the conditions of a time of climax, which necessitate the utmost caution.*

#### THE JUDGMENT

AFTER COMPLETION.

*Success in small matters.*

*Perseverance furthers.*

*At the beginning good fortune,*

*At the end disorder.*

*The transition from the old to the new time is already accomplished. In principle, everything stands systematized, and it is only in regard to details that success is still to be achieved. In respect to this, however, we must be careful to maintain the right attitude. Everything proceeds as if of its own accord, and this can all too easily tempt us to relax and let things take their course without troubling over details. Such indifference is the root of all evil. Symptoms of decay are bound to be the result. Here we have the rule indicating the usual course of history. But this rule is not an inescapable law. He who understands it is in position to avoid its effects by dint of unremitting perseverance and caution.*

#### THE IMAGE

*Water over fire: the image of the condition*

*In AFTER COMPLETION.*

*Thus the superior man*

*Takes thought of misfortune*

*And arms himself against it in advance.*

*When water in a kettle hangs over fire, the two elements stand in relation and thus generate energy (cf. the production of steam). But the resulting tension demands caution. If the water boils over, the fire is extinguished and its energy is lost. If the heat is too great, the water evaporates into the air. These elements here brought into relation and thus generating energy are by nature hostile to each other. Only the most extreme caution can prevent damage. In life too there are junctures when all forces are in balance and work in harmony, so that everything seems to be in the best of order. In such times only the sage recognizes the moments that bode danger and knows how to banish it by means of timely precautions.*



## **06 - CONFLICT**

### **MANAGERIAL ISSUE:**

The CEO – The CEO – managing under conflict (internal or external such as litigations)

Hexagram 6 describes a CEO whose corporation will soon find itself in the middle of a great conflict such as a litigation. Here we have a Conflict created by two parties pulling in opposite directions - one using deception and the other using brute force. The CEO knows his cause is just and fair; yet, the I Ching would suggest there are two ways to approach this Conflict:

- When the CEO is arrogant, the fact that his cause is just only nourishes his pride, his worst enemy. And it is this same pride, which will lead him to an open conflict whenever he faces opposition. When the righteous CEO faces opposition he will tend to strike. In the end, he will be RIGHT – DEAD RIGHT.
- When the humble CEO faces opposition, he will tend to negotiate. To him, being right is not as important as saving the corporation to fight another day.

Was Apple right when it sued Microsoft over patents rights? It took years to reach an outcome and little was gained. The costs involved were only a minor part. The worst part was the shifting of the focus which robbed Apple of its strength. Is Apple right in fighting Samsung and Google to the death?

### **MANAGERIAL LESSON:**

The Superior CEO:

- a) Is lucid. Lucidity will make him humble. And humility is the proper attitude that will allow him to meet his opponent in the middle. In the case of litigation, such as the case of patent rights, this would mean reaching for an out of court settlement. To fight to the bitter end could be an alternative, but one that would be fatal to the corporation even if the CEO were in the right. A fight to the bitter end would be no solution to any conflict, as the hatred would last forever. An ideal solution could be to find an impartial arbiter. One who would seek an impartial solution to the conflict. An arbiter both parties would find acceptable. To do so the CEO would have to be very clear about his position.
- b) Avoids initiating grand schemes because nothing grand can be accomplished in the middle of a fight. This was a great lesson for Bill Gates. It would have been of no use to try and implement grand schemes while in the middle of a fight with the US Department of Justice and so many states.

The I Ching says:

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require*

*concerted unity of forces. Conflict within weakens the power to conquer danger without.*

- c) Faces conflict the same way he should face evil – avoid it from its very beginning.
- In the case of one corporation stealing another corporation's ideas, such as in the case of browsers war, Microsoft knew from the very beginning that they were doing something wrong even if perhaps not something illegal. They probably found resistance from Dell and Compaq and IBM and other software vendors when Microsoft "encouraged" them to install Microsoft Explorer rather than Netscape's Navigator, the original consumers' choice. They must have known, based on the same opposition they found from its clients, not matter how weak this opposition was, that this was the beginning of a conflict which would end in litigation. Had they paid attention to this conflict, they would have avoided the suit from the Department of Justice.
  - In the case of a corporation taking over another corporation, such as in the case of ATT taking over NCR, ATT should have known that it was not possible to merge two corporations that had nothing in common. Such knowledge would have surely avoided conflicts that always arise when forcing the union of two separate corporate cultures.

## **INVESTMENT ADVICE:**

For the investor, the Conflict is an unfavorable Time-Space to invest. The name Conflict points to the difficulties the CEO and his corporation will face.

By itself, (no lines), the Hexagram points to good fortune if the CEO stops halfway:

*CONFLICT. You are sincere  
And are being obstructed.  
A cautious halt halfway brings good fortune.  
Going through to the end brings misfortune.  
It furthers one to see the great man.  
It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

For the investor, a period of protracted conflict is not easy to handle. This is a long term investment.

He should be careful and stay with those investments that are favorable such as lines 1, 3, 4 and specially line 5.

The following two examples are those of corporations under the Conflict Time-Space.

- **Netflix, Inc. NFLX under CEO Reed Hastings**
- **Staples, Inc. SPLS under CEO Ron Sargent**

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) when it is about to begin.

**Managerial Lesson:** Be conciliatory.

**Managerial Warning:** At the first stage of the Conflict Time-Space, the CEO faces conflict (such as litigation) with a stronger adversary at its very beginning.

**Managerial Advice:** The Superior CEO finds the proper settlement quickly even before the suit begins, especially when the other party has greater economic resources. In this way the CEO saves the corporation from a sure loss of resources. The Superior CEO knows a conciliatory attitude will minimize losses and avoid much damage.

**Investment Advice:** Invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) - in its initial stages.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the second stage of the Conflict Time-Space, the CEO is about to continue a conflict such as a litigation, against a stronger corporation out of pride or out of poor advice. Worst still, he may find himself dragged into a conflict by hot headed executives who are spoiling for a fight.

**Managerial Advice:** The Superior CEO knows that to hold on to a given position out of stubbornness, obstinacy or righteousness will surely cause his corporation heavy losses. Pride

is the end of all CEOs. He knows that to be flexible rather than to act out of a sense of hurt pride is the best course of action. This is particularly the case when the opposing forces are stronger and the damage would extend to the corporation's employees. The corporation can still withdraw strategically without loss of honor.

**Investment Advice:** Do not invest

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) – managing an all-out conflict.

**Managerial Lesson:** Be righteous.

**Managerial Warning:** At the third stage of the Conflict Time-Space, the CEO decides to fight openly or to proceed fully with the litigation process.

**Managerial Advice:** The Superior CEO knows that should he intend to fight his way out of a conflict, he must make sure he is in the right position. In the case of litigation over a patent, if the corporation developed the product and it is truly original and not a copy of another corporation's product, then surely the corporation will win this litigation and any other future litigation. But if the CEO enters into a litigation to take away someone else's work, then surely Heaven will eventually punish him even if the law does not – such was the case of Microsoft for harming Netscape.

**Investment Advice:** Invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) – making his move on a smaller opponent for corporate gain.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the fourth stage of the Conflict Time-Space, the CEO sometimes will feel restless because his ego will lead him to believe his corporation is too small for him to manage. The danger lies in that he will be tempted to look for a smaller opponent to raise a conflict with, one with fewer resources.

**Managerial Advice:** The Superior CEO does what is right. He knows he could easily win, but he also knows that he would benefit from someone else's work. He will do the right thing and pay for the patent. This would provide his corporation with enough time to dedicate to production rather than litigation, and that will make it a successful corporation. If the smaller corporation refuses to sell, then the CEO should withdraw. By the doing the right thing, he makes sure Heaven will help him in the future.

This is Microsoft when it moved against Netscape. It was so unfair and created such a bad public opinion that everyone moved against Microsoft: the public opinion, the government and

(worst of all) HEAVEN itself. In the last years Microsoft has gone nowhere and its future under Steve Ballmer looks very poor. What goes around comes around. Let this be a warning for Larry Ellison of Oracle. "Be bold, be bold, be not so bold".

**Investment Advice:** Invest. Expect good returns. The CEO will do the right thing.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) - with a fair mediator.

**Managerial Lesson:** Be trustworthy.

**Managerial Warning:** At the fifth stage of the Conflict Time-Space, the CEO finds that at this time of conflict, fate intervenes and a mediator appears.

**Managerial Advice:** The Superior CEO is always open to mediation. He should accept and deal with this mediator. He is trustworthy. This, plus the fact that the corporation's product is indeed originated by their own research department, creates the circumstances for the corporation to win the litigation and be successful. This mediator carries a lot of weight and the probabilities are high the CEO could win his fight.

**Investment Advice:** Invest. Expect superior returns.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing under conflict (internal or external such as litigation) – winning an empty victory.

**Managerial Lesson:** Be moderate.

**Managerial Warning:** At the sixth stage of the Conflict Time-Space, the CEO takes his corporation's litigation efforts to its final consequences and wins; nevertheless, it is an empty (Pyrrhic) victory.

**Managerial Advice:** The Superior CEO knows that the best fight is the one he avoids. In this case the CEO won the conflict or litigation and walked away with the trophy. But the cost was too high and the corporation was left financially exhausted. It was an empty victory and the worst is still to come. There will be more litigation in other courts and other companies will join in the fight against them.

Could this be the case of Apple and its eternal litigations?

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Netflix, Inc. NFLX under CEO Reed Hastings**

Reed Hastings's Performance: ROI= 4,016.11% Annualized Return= 50.26%  
SPY's Performance: ROI= 32.31% Annualized Return= 3.11%

Reed Hastings has been CEO and founder since 1998 and took Netflix public on May 2002. Since then, he has been able to outperform the SPY proving his previous Time Space was very favorable.

Because he has been CEO for so long, we asked the Oracle for his future Time Space. It is the Conflict.

#### Points the investor should consider:

##### 1) THE HEXAGRAM

*HEXAGRAM 06 – Sung - Conflict*

*The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.*

*The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.*

*A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.*

*CONFLICT. You are sincere  
And are being obstructed.  
A cautious halt halfway brings good fortune.  
Going through to the end brings misfortune.  
It furthers one to see the great man.  
It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

## **2) THE ADVICE**

*Heaven and water go their opposite ways: The image of Conflict.  
Thus in all his transactions the superior man  
Carefully considers the beginning.*

*The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.*

## **3) THE LINES:**

*0 Nine in the fifth place means:  
To contend before him  
Brings supreme good fortune.*

*This refers to an arbiter in a conflict who is powerful and just, and strong enough to lend weight to the right side. A dispute can be turned over to him with confidence. If one is in the right, one attains great good fortune.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

*THE JUDGMENT*

*BEFORE COMPLETION.  
Success.*

*But if the little fox, after nearly completing the crossing,  
Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

## **Staples, Inc. SPLS under CEO Ron Sargent**

Ron Sargent's Performance:	ROI= 43.55%	Annualized Return= 3.89%
SPY's Performance:	ROI= 21.77%	Annualized Return= 2.10%

Ron Sargent has been CEO since February of 2002. Since then he has been able to outperform the SPY.

Because he has been CEO for almost a decade, we asked the Oracle about his future Time-Space. It is the Conflict.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Nine in the second place means:*

*One cannot engage in conflict;*

*One returns home, gives way.*

*The people of his town,*

*Three hundred households,*



*Remain free of guilt.*

*In a struggle with an enemy of superior strength, retreat is no disgrace. Timely withdrawal prevents bad consequences. If, out of a false sense of honor, a man allowed himself to be tempted into an unequal conflict, he would be drawing down disaster upon himself. In such a case a wise and conciliatory attitude benefits the whole community, which will then not be drawn into the conflict.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 12 - P'i - Standstill (Stagnation)*

*This hexagram is the opposite of the preceding one. Heaven is above, drawing farther and farther away, while the earth below sinks farther into the depths. The creative powers are not in relation. It is a time of standstill and decline. This hexagram is linked with the seventh month (August-September), when the year has passed its zenith and autumnal decay is setting in.*

**THE JUDGMENT**

**STANDSTILL.**

*Evil people do not further*

*The perseverance of the superior man.*

*The great departs the small approaches.*

*Heaven and earth are out of communion and all things are benumbed. What is above has no relation to what is below, and on earth confusion and disorder prevail. The dark power within, the light power is without. Weakness is within, harshness without. Within are the inferior, and without are the superior. The way of inferior people is in ascent; the way of superior people is on the decline. But the superior people do not allow themselves to be turned from their principles. If the possibility of exerting influence is closed to them, they nevertheless remain faithful to their principles and withdraw into seclusion.*

**THE IMAGE**

*Heaven and earth do not unite: The image Of STANDSTILL.*

*Thus the superior man falls back upon his inner worth In order to escape the difficulties.*

*He does not permit himself to be honored with revenue.*

*When, owing to the influence of inferior men, mutual mistrust prevails in public life, fruitful activity is rendered impossible, because the fundamentals are wrong. Therefore the superior man knows what he must do under such circumstances; he does not allow himself to be tempted by dazzling offers to take part in public activities. This would only expose him to danger, since he cannot assent to the meanness of the others. He therefore hides his worth and withdraws into seclusion.*

## **07 - THE ARMY**

### **MANAGERIAL ISSUE:**

The CEO – managing his army of employees/customers.

Hexagram 7 describes the Army. From a managerial point of view, it is easy to compare corporations to armies. They have a chain of command, are always ready to follow the leader, and are always ready to battle its competitors.

### **MANAGERIAL LESSON:**

The Superior CEO knows:

- 1) Corporations are dictatorships rather than democracies. They do not look for consensus but rather for leadership. And in a dictatorship, it is the army, which in effect rules. This Hexagram, just like an army under a dictatorship, represents the management of a corporation at all levels. Even if at times one gets the impression that at all levels the army shows obedience to its superiors, we should keep it in mind that there will always be conspiracies led by leaders bent on eliminating each other and therefore it always represents a dangerous element. In essence, a corporate army's aim is to gather financial strength and political muscle through the abilities of its employees and allies. Such strength is a dangerous thing as it can go in the wrong direction. When Sandy Weill of Citigroup used his power and influence to change the Glass-Steagall Act, he created the conditions which almost brought about the destruction of his own corporation as well as that of the entire financial system. The same applies to Goldman Sachs – the injustices created by its unrestricted use of political influence have appropriately earned them the hatred of the public.
- 2) The success of a corporation is closely linked to how well organized and disciplined it is. Such organization in turn is also closely linked to how able the CEO is in earning the loyalty and the admiration of the employees. Loyalty must be earned, not forced upon the employees. To earn such loyalty, the CEO must be enthusiastic and recognize the merits and accomplishments of his executives promptly and publicly. Only then will he win their hearts and minds. And only then will he make the employees more willing to make the necessary sacrifices to earn the proper recognition. That is the key to be more productive as well as profitable.
- 3) The CEO must be courageous and well balanced to avoid harming others both inside and outside the firm.
- 4) The CEO must have the confidence and full backing of the Board of Directors at all times. Carly Fiorina of Hewlett Packard did not have such support when she launched a takeover on Compaq. She was successful in the takeover but she got fired.

- 5) If the CEO intends to attack another corporation or to force a takeover, he must do it only if his corporation is financially strong or bullet proof and only if there are no other alternatives. Should he pursue an aggressive policy from a weak position, his efforts will surely end in a defeat.
- 6) When victorious, the CEO must be magnanimous with the other corporation's personnel. Only then will his fame spread far and wide.
- 7) All corporations have spiritual reserves for the employees to access when the corporation is in danger; nevertheless, those spiritual reserves should be accessed only when really needed. Meanwhile they must be kept calm. Only a CEO who has earned the admiration and respect of his troops has the right to access those spiritual reserves and put to the test the bonding between him as a leader and his army of employees as followers. Only such a CEO can make his army follow him under the worst circumstances and succeed. He must be able to explain the reasons for such a war, and such reasons must be clear and much focused in order to get the necessary commitment and unity to achieve victory. And if Heaven grants him victory, then justice for the vanquished must prevail at all times. This is a must lesson for CEO's such as Larry Ellison of Oracle.

The I Ching advises the CEO the way to launch a takeover effort is the same to wage war. To lead a War the leader must have:

1. A clear cause to justify it.
2. A clear set of objectives.
3. Massive communication to explain the causes and the objectives.
4. Unity and commitment from the people.
5. Cool heads to avoid getting into the frenzy of war.
6. Good "citizens" who are willing to defend their "land".
7. A benign, fair and generous "government" loved by the "people" for which they are willing to fight.
8. A strong "economy" (Balance Sheet) promoted by a humane "government" (management).
9. A strong bond between the "government" (management) and its "people" (employees).

## **INVESTMENT ADVICE:**

For the investor, The Army is not, in general terms, a unfavorable Time-Space to invest. Where there is an army there is violence and where there is violence there is danger. It is not wise to invest under dangerous conditions.

By itself, (no lines), the Hexagram points to good fortune if the CEO perseveres.

*THE ARMY.*

*The army needs perseverance*

*And a strong man.*

*Good fortune without blame.*

*An army is a mass that needs organization in order to become a fighting force. Without strict discipline nothing can be accomplished, but this discipline must not be achieved by force. It requires a strong man who captures the hearts of the people and awakens their enthusiasm. In order that he may develop his abilities he needs the complete confidence of his ruler, who must entrust him with full responsibility as long as the war lasts. But war is always a dangerous thing and brings with it destruction and devastation. Therefore it should not be resorted to rashly but, like a poisonous drug, should be used as a last recourse.*

*The justifying cause of a war, and clear and intelligible war aims, ought to be explained to the people by an experienced leader. Unless there is a quite definite war aim to which the people can consciously pledge themselves, the unity and strength of conviction that lead to victory will not be forth coming. But the leader must also look to it that the passion of war and the delirium of victory do not give rise to unjust acts that will not meet with general approval. If justice and perseverance are the basis of action, all goes well.*

Only the line in the second place is favorable. The other five are negative.

The following two examples are those of corporations under the Army Time-Space

- **Cisco Systems, Inc. CSCO under CEO John T. Chambers**
- **Tesla Motors Inc. TSLA under CEO Elon Musk**

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing his army of employees - moving them.

**Managerial Lesson:** Be committed.

**Managerial Warning:** At the first stage of the Army Time-Space, the CEO is about to start a campaign to increase market share by either an aggressive marketing strategy or by an aggressive takeover of another corporation. The motives behind this move are not clear.

**Managerial Advice:** The Superior CEO does not to move if his heart is not into it. But if he must move, he will communicate his reasons as well as his objectives, both of which must be just and fair. The Superior CEO blends the employees into a fighting team. However; in this case, there is a possibility, the employees might perceive the CEO's heart is not totally behind this enterprise. This perception could generate doubts and a lack of obedience amongst the employees creating the conditions for the corporation's defeat.

The I Ching says: *At the beginning of a military enterprise, order is imperative. A just and valid cause must exist, and the obedience and coordination of the troops must be well organized, otherwise the result is inevitably failure.*

**Investment Advice:** Do not invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing his army of employees - in the midst of a campaign with strong backing.

**Managerial Lesson:** Be united.

**Managerial Warning:** At the second stage of the Army Time-Space, the CEO is in charge of an aggressive campaign and this time he has the absolute backing of the Board of Directors who will honor him based on his merits rather than favoritism.

**Managerial Advice:** The Superior CEO stays as close to his employees as possible. He knows proximity is the way for him to feel what they feel and earn their loyalty and respect. When the CEO understands the needs of the employees, and when he makes sure all the employees are rewarded by the same standard of merit alone, then surely all the employees will follow him loyally into any battle because they will believe in his cause and in him as their leader. The CEO will receive the proper recognition for his merits.

There are some exceptions when an executive is in charge of the campaign and the CEO will not recognize his merits. This is the case of Iacocca and Ford. He was successful with the Mustang, but still Henry Ford II fired him in 1978. When this happens, both Heaven and the employees who know the executive deserved the merits and rewards will surely punish the CEO (Henry Ford II retired as CEO in 1979).

**Investment Advice:** Invest. (Expect good returns)

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing his army of employees - when many meddle in the campaign.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the third stage of the Army Time-Space, the CEO's strategies will be meddled with by others who would like to appear as the leaders. There is a possibility this CEO might not be the adequate leader for the corporate campaign. He might lose the backing of the Board of Directors as well as that of his troops.

**Managerial Advice:** The Superior CEO does not get into a fight in which he is not the clear leader. He knows it is not wise to get into a fight for which he has neither the backing nor the support of his employees. In the end his efforts will end in defeat.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing his army of employees - when facing a stronger enemy.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the fourth stage of the Army Time-Space, the CEO's campaign encounters an unexpectedly strong adversary who will certainly defeat him.

**Managerial Advice:** The Superior CEO knows when to withdraw and by so doing, avoid the destruction of his corporation. The timely withdrawal brings honor to the CEO. There is nothing wrong with a timely withdrawal when facing a superior enemy. However, to continue to fight a losing battle is a sign of weakness and even cowardice, particularly because innocent people always perish.

**Investment Advice:** Do not invest

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing his army of employees - when facing the enemy's attack.

**Managerial Lesson:** Be aggressive.

**Managerial Warning:** At the fifth stage of the Army Time-Space, the conditions reverse and now the enemy is waging a campaign against the CEO and his corporation.

**Managerial Advice:** The Superior CEO recognizes when he might not be the right man to defend the firm, as he might be accustomed to being the aggressor. The corporation must fight an all-out war to win. However such counterattack must be led by the proper leader and must be carried out in an orderly fashion. If the CEO is not the right man for the defensive actions, then the company must find the adequate leader to face off this danger. The outcome is not clear, as there is no certainty they will come out victorious.

**Investment Advice:** Do not invest

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the army of employees - after a corporate victory.

**Managerial Lesson:** Be just.

**Managerial Warning:** At the sixth stage of the Army Time-Space, the CEO and his troops win the campaign and either conquer market share or successfully complete the takeover. Now it is up to the CEO to reward merit.

**Managerial Advice:** The Superior CEO is careful when rewarding merit. That is, he is wise enough to reward merit but is also wise enough to differentiate between those who should receive monetary rewards only and those who should receive leadership positions within the recently conquered corporation. If he fails to exercise this rule, he will surely eventually destroy the same corporation he has just conquered. There are great executives-warriors who should never be given any managerial position within the conquered corporation because they will destroy it.

When a capable general conquered a territory, the Emperor had to decide if the general had the ability to administer the newly acquired province. Wisely, the Emperor would look for a civilian with experience to run the province and reward the general with properties and money.

In the case of Larry Ellison's takeover of PeopleSoft, the two corporations were easily merged because both were in the software business. There was no need to look for an executive to run the newly conquered corporation. But in the case of Citigroup, Travelers Smith Barney, and Citibank had different lines of business. One man could not run it all. Sandy Weill's betrayal of John Reed and of Jamie Dimon was as catastrophic for the bank (Citibank) as well as for the entire corporation (Citigroup).

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Cisco Systems, Inc. CSCO under CEO John T. Chambers**

John T. Chambers' Performance:	ROI= 780.00%	Annualized Return= 14.10%
SPY's Performance:	ROI= 184.71%	Annualized Return= 6.55%

John Chambers has been CEO of Cisco since January 31<sup>st</sup> 1995. Since then, his performance has been that of a superior CEO.

Because he has been CEO for almost two decades, we asked the Oracle about his future performance. It is the Army Time Space.

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 07 – Shih - The Army*

*This hexagram is made up of the trigrams K'an, water, and K'un, earth, and thus, it symbolizes the ground water stored up in the earth. In the same way military strength is stored up in the mass of the people - invisible in times of peace but always ready for use as a source of power. The attributes of the two trigrams are danger inside and obedience outside. This points to the nature of an army, which at the core is dangerous, while discipline and obedience must prevail outside.*

*Of the individual lines, the one that controls the hexagram is the strong nine in the second place to which the other lines, all yielding, are subordinate. This line indicates a commander, because it stands in the middle of one of the two trigrams. But since it is in the lower rather than the upper trigram, it represents not the ruler but the efficient general, who maintains obedience in the army by his authority.*

## **THE JUDGMENT**

### **THE ARMY.**

*The army needs perseverance  
And a strong man.  
Good fortune without blame.*

*An army is a mass that needs organization in order to become a fighting force. Without strict discipline nothing can be accomplished, but this discipline must not be achieved by force. It requires a strong man who captures the hearts of the people and awakens their enthusiasm. In order that he may develop his abilities he needs the complete confidence of his ruler, who must entrust him with full responsibility as long as the war lasts. But war is always a dangerous thing and brings with it destruction and devastation. Therefore it should not be resorted to rashly but, like a poisonous drug, should be used as a last recourse.*

*The justifying cause of a war, and clear and intelligible war aims, ought to be explained to the people by an experienced leader. Unless there is a quite definite war aim to which the people can consciously pledge themselves, the unity and strength of conviction that lead to victory will not be forth coming. But the leader must also look to it that the passion of war and the delirium of victory do not give rise to unjust acts that will not meet with general approval. If justice and perseverance are the basis of action, all goes well.*

## **2) THE ADVICE**

*In the middle of the earth is water: The image of THE ARMY.  
Thus the superior man increases his masses  
By generosity toward the people.*

*Ground water is invisibly present within the earth. In the same way the military power of a people is invisibly present in the masses. When danger threatens, every peasant becomes a soldier; when the war ends, he goes back to his plow. He who is generous toward the people wins their love, and a people living under a mild rule becomes strong and powerful. Only a people economically strong can be important in military power. Such power must therefore be cultivated by improving the economic condition of the people and by humane government. Only when there is this invisible bond between government and people, so that the people are sheltered by their government as ground water is sheltered by the earth, is it possible to wage a victorious war.*



### **3) THE LINES:**

Six in the fourth place means:

*The army retreats.*

*No blame.*

*In face of a superior enemy, with whom it would be hopeless to engage in battle, an orderly retreat is the only correct procedure, because it will save the army from defeat and disintegration. It is by no means a sign of courage or strength to insist upon engaging in a hopeless struggle regardless of circumstances.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 40 – Hsieh - Deliverance*

*Here the movement goes out of the sphere of danger. The obstacle has been removed, the difficulties are being resolved. Deliverance is not yet achieved; it is just in its beginning, and the hexagram represents its various stages.*

#### **THE JUDGMENT**

**DELIVERANCE.**

*The southwest furthers.*

*If there is no longer anything where one has to go,*

*Return brings good fortune.*

*If there is still something where one has to go,*

*Hastening brings good fortune.*

*This refers to a time in which tensions and complications begin to be eased. At such times we ought to make our way back to ordinary conditions as soon as possible; this is the meaning of "the southwest." These periods of sudden change have great importance. Just as rain relieves atmospheric tension, making all the buds burst open, so a time of deliverance from burdensome pressure has a liberating and stimulating effect on life. One thing is important, however: in such times we must not overdo our triumph. The point is not to push on farther than is necessary. Returning to the regular order of life as soon as deliverance is achieved brings good fortune. If there are any residual matters that ought to be attended to, it should be done as quickly as possible, so that a clean sweep is made and no retardation occur.*

#### **THE IMAGE**

*Thunder and rain set in: The image of DELIVERANCE.*

*Thus the superior man pardons mistakes*

*And forgives misdeeds.*

*A thunderstorm has the effect of clearing the air; the superior man produces a similar effect when dealing with mistakes and sins of men that induce a condition of tension. Through clarity he brings deliverance. However, when failings come to light, he does not dwell on them; he*

*simply passes over mistakes, the unintentional transgressions, just as thunder dies away. He forgives misdeeds, the intentional transgressions, just as water washes everything clean.*

## **Tesla Motors Inc. TSLA under CEO Elon Musk**

Elon Musk's Performance:	ROI= 30.83%	Annualized Return= 28.68%
SPY's Performance:	ROI= 30.49%	Annualized Return= 28.36%

Elon Musk has been CEO since October 2008. Tesla Motors went public on June 29<sup>th</sup> 2010. Since then, his performance has been the same as the SPY's. It is too early to evaluate his performance, but the I Ching points to his leadership in a war that will end successfully.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six at the top means:*

*The great prince issues commands,  
Founds states, vests families with fiefs.  
Inferior people should not be employed.*

*The war has ended successfully, victory is won, and the king divides estates and fiefs among his faithful vassals. But it is important that inferior people should not come into power. If they have helped, let them be paid off with money, but they should not be awarded lands or the privileges of rulers, lest power be abused.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 04 - Meng - Youthful Folly*

*In this hexagram we are reminded of youth and folly, in two different ways. The image of the upper trigram, Ken, is the mountain, that of the lower, K'an is water; the spring rising at the foot of the mountain is the image of inexperienced youth. Keeping still is the attribute of the upper*

*trigram; that of the lower is the abyss, danger. Stopping in perplexity on the brink of a dangerous abyss is a symbol of the folly of youth. However, the two trigrams also show the way of overcoming the follies of youth. Water is something that of necessity flows on. When the spring gushes forth, it does not know at first where it will go. But its steady flow fills up the deep place blocking its progress, and success is attained.*

## THE JUDGMENT

*YOUTHFUL FOLLY has success.  
It is not I who seek the young fool;  
The young fool seeks me.  
At the first Oracle I inform him.  
If he asks two or three times, it is importunity.  
If he importunes, I give him no information.  
Perseverance furthers.*

*In the time of youth, folly is not an evil. One may succeed in spite of it, provided one finds an experienced teacher and has the right attitude toward him. This means, first of all, that the youth himself must be conscious of his lack of experience and must seek out the teacher. Without this modesty and this interest there is no guarantee that he has the necessary receptivity, which should express itself in respectful acceptance of the teacher. This is the reason why the teacher must wait to be sought out instead of offering himself. Only thus can the instruction take place at the right time and in the right way.*

*A teacher's answer to the question of a pupil ought to be clear and definite like that expected from an Oracle; thereupon it ought to be accepted as a key for resolution of doubts and a basis for decision. If mistrustful or unintelligent questioning is kept up, it serves only to annoy the teacher. He does well to ignore it in silence, just as the Oracle gives one answer only and refuses to be tempted by questions implying doubt.*

*Given in addition a perseverance that never slackens until the points are mastered one by one, real success is sure to follow. Thus the hexagram counsels the teacher as well as the pupil.*

## THE IMAGE

*A spring wells up at the foot of the mountain: The image of YOUTH.  
Thus the superior man fosters his character  
By thoroughness in all that he does.*

*A spring succeeds in flowing on and escapes stagnation by filling up all the hollow places in its path. In the same way character is developed by thoroughness that skips nothing but, like water, gradually and steadily fills up all gaps and so flows onward.*

## **08 - UNION**

### **MANAGERIAL ISSUE**

The CEO – managing to keep his corporation (employees/divisions) united.

Hexagram 8 describes the forces that hold together a corporation as well as the forces that create Union – that is, Union amongst its managers, employees, shareholders, divisions, and even customers.

The I Ching uses the image of all the rivers flowing into the same ocean and all the lines obeying the ruling line. In the case of a conglomerate such as General Electric, everything flows towards the same central corporation even though there are many businesses within this corporation. All the managers obey the rule of the CEO, much like they used to obey Jack Welch, when he was CEO of GE. It is the CEO's leadership and strong personality that holds the corporation together. The CEO creates the union because he is its center. The other executives give support and complement his personality.

### **MANAGERIAL LESSON**

The Superior CEO knows there are two fundamental elements he must keep in mind if he wants to create a cohesive team or a strong bond between all the employees/divisions of the corporation. He must:

1. Establish UNITY as the main goal.
2. Establish fair internal rules within the corporation, rules which should merit and merit only.

The Superior CEO also knows he must:

- 1) Be such a strong leader that almost he alone can hold this union together.
  - The I Ching says, *"Such holding together calls for a central figure around whom other persons may unite. To become a center of influence holding people together is a grave matter and fraught with great responsibility. It requires greatness of spirit, consistency, and strength*
- 2) Ask if he is the right person for the job and quit with honor if he is not. He must have the strength to accept the fact should he prove to be the wrong person for the job.
  - The I Ching says. *"Therefore let him who wishes to gather others about him ask himself whether he is equal to the undertaking, for anyone attempting the task without a real calling for it only makes confusion worse than if no union at all had taken place."* If a man

*has recognized the necessity for union and does not feel strong enough to function as the center, it is his duty to become a member of some other organic fellowship.”*

If we were to talk about politics instead of business, this would be the Hexagram of Abraham Lincoln. He held the Union together by the strength of his own character. In the case of business, what better example than Jack Welch and the way he successfully held together the GE group for so many years.

- 3) Warn those corporations, which fail to recognize the value of joining a great holding corporation, or for those executives who fail to realize the CEO's abilities and talents.
  - The I Ching says *"But when there is a real rallying point, those who at first are hesitant or uncertain gradually come in of their own accord. Latecomers must suffer the consequences, for in holding together the question of the right time is also important. Relationships are formed and firmly established according to definite inner laws. Common experiences strengthen these ties, and he who comes too late to share in these basic experiences must suffer for it if, as a straggler, he finds the door locked."*
- 4) Keep the employees and management together – which is the essence of creating the corporate unity. The I Ching advises the CEO that the essence of creating the corporate unity lies in keeping together the employees and management. The I Ching compares this effort to water uniting with water. Management and the employees are the same in that what unites them is the common interest they hold in making this corporation successful so that all can benefit from it, even though they may have different roles. This is even more evident if all the employees share in the profits because then all the employees will feel they are part of the corporation. It is the main duty of management to see to it that every employee feels he is a part of the corporation and that it is in his best interest to participate actively in the well-being of his corporation.
  - The I Ching says *"Water flows to unite with water, because all parts of it are subject to the same laws. So too should human society hold together through a community of interests that allows each individual to feel himself a member of a whole. The central power of a social organization must see to it that every member finds that his true interest lies in holding together with it."*

## **INVESTMENT ADVICE:**

For the investor, the Union is in general a favorable Time-Space to invest.

By itself (no lines) points to good fortune if unity is kept:

***HOLDING TOGETHER brings good fortune.***

*Inquire of the Oracle once again*

*Whether you possess sublimity, constancy, and perseverance;*

*Then there is no blame.*

*Those who are uncertain gradually join.*

*Whoever comes too late*

*Meets with misfortune.*

*What is required is that we unite with others, in order that all may complement and aid one another through holding together. But such holding together calls for a central figure around whom other persons may unite. To become a center of influence holding people together is a grave matter and fraught with great responsibility. It requires greatness of spirit, consistency, and strength. Therefore let him who wishes to gather others about him ask himself whether he is equal to the undertaking, for anyone attempting the task without a real calling for it only makes confusion worse than if no union at all had taken place.*

*But when there is a real rallying point, those who at first are hesitant or uncertain gradually come in of their own accord. Late-comers must suffer the consequences, for in holding together the question of the right time is also important. Relationships are formed and firmly established according to definite inner laws. Common experiences strengthen these ties, and he who comes too late to share in these basic experiences must suffer for it if, as a straggler, he finds the door locked.*

*If a man has recognized the necessity for union and does not feel strong enough to function as the center, it is his duty to become a member of some other organic fellowship.*

Four out of six lines are positive for investing 1, 2, 4, and 5. This makes this Time-Space positive.

The following three examples are those of corporations under the Union Time-Space:

- **Kraft Foods Inc. KFT under CEO Irene Rosenfeld**
- **Maxim Integrated Products Inc. MXIM under CEO Tunc Doluca**
- **Electronic Arts Inc. ERTS under CEO John S. Riccitiello**

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing his corporation’s union – establishing unity through personal honesty and inner strength.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the first stage of the Union Time-Space, the CEO must establish Unity.

**Managerial Advice:** The Superior CEO is fundamentally sincere. He knows such sincerity will come across in his plain speaking and even in his plain dressing. His strong character will strengthen the relationships between the individual members of the holding corporation. Sincerity coming from the depths of the heart has the power to change the destiny of nations as well as corporations.

This is the line of Abraham Lincoln.

The I Ching says: *Fundamental sincerity is the only proper basis for forming relationships. This attitude, symbolized by a full earthen bowl, in which the content is everything and the empty form nothing, shows itself not in clever words but through the strength of what lies within the speaker. This strength is so great that it has power to attract good fortune to itself from without.*

**Investment Advice:** Invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing his corporation’s union – responding to the call of Heaven.

**Managerial Lesson:** Be dignifying.

**Managerial Warning:** At the second stage of the Union Time-Space, the CEO must realize the only way to answer the call of Heaven is to follow the way of the Superior man.

**Managerial Advice:** The Superior CEO is persevering and maintains dignity in all situations. What course of action should he pursue when Heaven demands he maintain his corporation united (such as in the case when a potential partner requests a merger or a competitor initiates a hostile takeover)? His course of action should be to exercise the virtues of the Superior Man - dignity and tenacity. The Superior CEO knows that to establish relations with potential partners whether it be within or without in an undignified manner is not worthy of a superior CEO.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing his corporation’s union - with the wrong people.

**Managerial Lesson:** Be gracious.

**Managerial Warning:** At the third stage of the Union Time-Space, the CEO is tempted to establish a relationship with an enterprise with which his corporation has nothing in common. This can only will bring harm to it.

**Managerial Advice:** The Superior CEO knows that when unity is forced with the wrong people the best attitude is to be gracious but distant. Such was the case of ATT both for the acquisition of NCR, which had no business being part of ATT, and for the hiring of an executive outside the industry for a possible replacement of its CEO. Both were poor managerial decisions. The people of NCR had to be gracious but distant. They knew that in the end each would go their own separate ways to find the adequate partner. The CEO of ATT was to blame. He certainly had no sincere desire to unite with the right company or the right employees. He was not up to the task and proved to be the wrong man for the job.

**Investment Advice:** Do not invest

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing his corporation’s union - with the right people.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the fourth stage of the Union Time-Space, the CEO manages to create the proper match for both the CEO and his corporation as well as for the corporation and its parent. This union will last.

**Managerial Advice:** The Superior CEO knows that when he achieves unity with the right people he should welcome such unity so long as he keeps within his own line of business. Both the CEO who has just joined the corporation as well as the corporation that has just merged with the parent corporation should continue to do what they do well in spite of how satisfied they may be with the outcome. In the case of NCR, for instance, it continued to carry on with its business even though AT&T acquired it. The lesson for the CEO is to maintain the nature of his business and not change it only because he has just united with another corporation. The success of such unity will be due to the sincerity and strength of the CEO.

**Investment Advice:** Invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing his corporation’s union - by attracting good employees and good partners.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fifth stage of the Union Time-Space, the CEO faces the risk he might not be sincere enough or show sufficient strength of character.

**Managerial Advice:** The Superior CEO knows that to attract the best, he must:

- Act with sincerity, not trying to over influence people but rather to allow them to make their own choices.

The I Ching says *“He invites none, flatters none - all come of their own free will. In this way there develops a voluntary dependence among those who hold to him. “*

- Keep an open channel to discuss all issues. This open door policy will maintain the loyalty of the employees.

The I Ching says: *“They do not have to be constantly on their guard but may express their opinions openly. Police measures are not necessary, and they cleave to their ruler of their own volition. The same principle of freedom is valid for life in general. We*



*should not woo favor from people. If a man cultivates within himself the purity and the strength that are necessary for one who is the center of a fellowship, those who are meant for him come of their own accord."*

**Investment Advice:** Invest

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing his corporation's union - hesitating in seeking union.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the sixth stage of the Union Time-Space, the CEO risks hesitating in seeking union at the right time. Should this be the case, there will be no way he can correct it.

**Managerial Advice:** The Superior CEO knows only an inadequate CEO would hesitate in seeking union with the right employees or with the right corporation. He knows only regrets will come out of such hesitation.

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **Kraft Foods Inc. KFT under CEO Irene Rosenfeld**

Irene Rosenfeld's Performance:	ROI= 11.70%	Annualized Return= 2.18%
SPY's Performance:	ROI= 6.77%	Annualized Return= 1.28%

Irene Rosenfeld has been CEO since June of 2006. Her performance has been better than the SPY's but not as much as the good fortune would indicate in the second line of the Union Time-Space. She still has time left as CEO. We will see in the next few years if her performance outdistances that of the SPY as it should.

What is important is that the I Ching indicates she has the mandate of Heaven to do well and therefore can eventually bring about the Union.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 08 – Pi - Holding Together [Union]*

*The waters on the surface of the earth flow together wherever they can, as for example in the ocean, where all the rivers come together. Symbolically this connotes holding together and the laws that regulate it. The same idea is suggested by the fact that all the lines of the hexagram except the fifth, the place of the ruler, are yielding. The yielding lines hold together because they are influenced by a man of strong will in the leading position, a man who is their center of union. Moreover, this strong and guiding personality in turn holds together with the others, finding in them the complement of his own nature.*

## THE JUDGMENT

*HOLDING TOGETHER brings good fortune.  
Inquire of the Oracle once again  
Whether you possess sublimity, constancy, and perseverance;  
Then there is no blame.  
Those who are uncertain gradually join.  
Whoever comes too late  
Meets with misfortune.*

*What is required is that we unite with others, in order that all may complement and aid one another through holding together. But such holding together calls for a central figure around whom other persons may unite. To become a center of influence holding people together is a grave matter and fraught with great responsibility. It requires greatness of spirit, consistency, and strength. Therefore let him who wishes to gather others about him ask himself whether he is equal to the undertaking, for anyone attempting the task without a real calling for it only makes confusion worse than if no union at all had taken place.*

*But when there is a real rallying point, those who at first are hesitant or uncertain gradually come in of their own accord. Late-comers must suffer the consequences, for in holding together the question of the right time is also important. Relationships are formed and firmly established according to definite inner laws. Common experiences strengthen these ties, and he who comes too late to share in these basic experiences must suffer for it if, as a straggler, he finds the door locked.*

*If a man has recognized the necessity for union and does not feel strong enough to function as the center, it is his duty to become a member of some other organic fellowship.*

## 2) THE ADVICE

*On the earth is water: The image Of HOLDING TOGETHER.  
Thus the kings of antiquity  
Bestowed the different states as fiefs  
And cultivated friendly relations  
With the feudal lords.*

*Water fills up all the empty places on the earth and clings fast to it. The social organization of ancient China was based on this principle of the holding together of dependents and rulers. Water flows to unite with water, because all parts of it are subject to the same laws. So too should human society hold together through a community of interests that allows each individual to feel himself a member of a whole. The central power of a social organization must see to it*

that every member finds that his true interest lies in holding together with it, as was the case in the paternal relationship between king and vassals in ancient China.

### 3) THE LINES:

Six in the second place means:

*Hold to him inwardly.*

*Perseverance brings good fortune.*

*If a person responds perseveringly and in the right way to the behests from above that summon him to action, his relations with others are intrinsic and he does not lose himself. But if a man seeks association with others as if he were an obsequious office hunter, he throws himself away. He does not follow the path of the superior man, who never loses his dignity.*

### 4) THE MOVING HEXAGRAM

HEXAGRAM 29 - K'an - The Abysmal (Water)

*This hexagram consists of a doubling of the trigram K'an. It is one of the eight hexagrams in which doubling occurs. The trigram K'an means a plunging in. A yang line has plunged in between two yin lines and is closed in by them like water in a ravine. The trigram K'an is also the middle son. The Receptive has obtained the middle line of the Creative, and thus K'an develops. As an image it represents water, the water that comes from above and is in motion on earth in streams and rivers, giving rise to all life on earth.*

*In man's world K'an represents the heart, the soul locked up within the body, the principle of light inclosed in the dark - that is, reason. The name of the hexagram, because the trigram is doubled, has the additional meaning, "repetition of danger." Thus the hexagram is intended to designate an objective situation to which one must become accustomed, not a subjective attitude. For danger due to a subjective attitude means either foolhardiness or guile. Hence too a ravine is used to symbolize danger; it is a situation in which a man is in the same pass as the water in a ravine, and, like the water, he can escape if he behaves correctly.*

#### THE JUDGMENT

*The Abysmal repeated.*

*If you are sincere, you have success in your heart,*

*And whatever you do succeeds.*

*Through repetition of danger we grow accustomed to it. Water sets the example for the right conduct under such circumstances. It flows on and on, and merely fills up all the places through which it flows; it does not shrink from any dangerous spot nor from any plunge, and nothing can make it lose its own essential nature. It remains true to itself under all conditions. Thus likewise, if one is sincere when confronted with difficulties, the heart can penetrate the meaning of the situation. And once we have gained inner mastery of a problem, it will come about naturally that the action we take will succeed. In danger all that counts is really carrying out all that has to be done – thoroughness - and going forward, in order not to perish through tarrying in the danger.*

Properly used, danger can have an important meaning as a protective measure. Thus heaven has its perilous height protecting it against every attempt at invasion, and earth has its mountains and bodies of water, separating countries by their dangers. Thus also rulers make use of danger to protect themselves against attacks from without and against turmoil within.

## THE IMAGE

Water flows on uninterruptedly and reaches its goal: The image of the Abysmal repeated.  
Thus the superior man walks in lasting virtue  
And carries on the business of teaching.

Water reaches its goal by flowing continually. It fills up every depression before it flows on. The superior man follows its example; he is concerned that goodness should be an established attribute of character rather than an accidental and isolated occurrence. So likewise in teaching others everything depends on consistency, for it is only through repetition that the pupil makes the material his own.

## **Inquire of the Oracle once again**

When we draw the Union Hexagram, it is customary to ask the Oracle once more to see if the leader who is called to Unite the corporation possess the sublimity, constancy and perseverance necessary to carry out this task:

*HOLDING TOGETHER brings good fortune. Inquire of the Oracle once again Whether you possess sublimity, constancy, and perseverance; Then there is no blame. Those who are uncertain gradually join. Whoever comes too late Meets with misfortune.*

## **Kraft Foods Inc. KFT CEO Irene Rosenfeld does she possess sublimity, constancy and perseverance?**

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

HEXAGRAM 50 – Ting - The Caldron

The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting,

*as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

## THE JUDGMENT

### THE CALDRON.

*Supreme good fortune.*

*Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

## **2) THE ADVICE**

*Fire over wood: The image of THE CALDRON.*

*Thus the superior man consolidates his fate*

*By making his position correct.*

*The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing. These words contain hints about the fostering of life as handed on by oral tradition in the secret teachings of Chinese yoga,*

## **3) THE LINES:**

### THE LINES

*Nine in the second place means:*

*There is food in the ting.*

*My comrades are envious,*

*But they cannot harm me.*

*Good fortune.*

*In a period of advanced culture, it is of the greatest importance that one should achieve something significant. If a man concentrates on such real undertakings, he may indeed experience envy and disfavor, but that is not dangerous. The more he limits himself to his actual achievements, the less harm can the envious inflict on him.*

*Nine in the third place means:*

*The handle of the Ting is altered.  
One is impeded in his way of life.  
The fat of the pheasant is not eaten.  
Once rain falls, remorse is spent.  
Good fortune comes in the end.*

*The handle is the means for lifting up the Ting. If the handle is altered, the Ting cannot be lifted up and used, and, sad to say, the delicious food in it, such as pheasant fat, cannot be eaten by anyone. This describes a man who, in a highly evolved civilization, finds himself in a place where no one notices or recognizes him. This is a severe block to his effectiveness. All of his good qualities and gifts of mind thus needlessly go to waste. But if he will only see to it that he is possessed of something truly spiritual, the time is bound to come, sooner or later, when the difficulties will be resolved and all will go well. The fall of rain symbolizes here, as in other instances, release of tension.*

*Six in the fifth place means:*

*The Ting has yellow handles, golden carrying rings.  
Perseverance furthers.*

*Here we have, in a ruling position, a man who is approachable and modest in nature. As a result of this attitude he succeeds in finding strong and able helpers who complement and aid him in his work. Having achieved this attitude, which requires constant self-abnegation, it is important for him to hold to it and not to let himself be led astray.*

*Nine at the top means:*

*The Ting has rings of jade.  
Great good fortune.  
Nothing that would not act to further.*

*In the preceding line the carrying rings are described as golden, to denote their strength; here they are said to be of jade. Jade is notable for its combination of hardness with soft luster. This counsel, in relation to the man who is open to it, works greatly to his advantage. Here the counsel is described in relation to the sage who imparts it. In imparting it, he will be mild and pure, like precious jade. Thus the work finds favor in the eyes of the Deity, who dispenses great good fortune, and becomes pleasing to men, wherefore all goes well.*

## **Maxim Integrated Products Inc. MXIM under CEO Tunc Doluca**

Tunc Doluca's Performance:	ROI= (25.20%)	Annualized Return= (6.17%)
SPY's Performance:	ROI= ( 4.77%)	Annualized Return= (1.07%)

Tunc Doluca has been CEO since January 2007. His performance has been very poor compared with the SPY's which underlines the fact he does not possess the qualities which the I Ching would require from someone whose mandate is to manage the Union Time-Space. A restless CEO can neither bring Union nor deal successfully with the Nuclear Time-Space of the Falling Apart.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(See Above) .

#### **2) THE ADVICE**

(See Above) .

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving hexagram because there are no moving lines.

### **Inquire of the Oracle once again**

(See Above).

# Maxim Integrated Products Inc. MXIM CEO Tunc Doluca - does he possess sublimity, constancy and perseverance

## Points the investor should consider:

### 1) THE HEXAGRAM

HEXAGRAM 32 – Heng - Duration

*The strong trigram Chen is above, the weak trigram Sun below. This hexagram is the inverse of the preceding one. In the latter we have influence, here we have union as an enduring condition. The two images are thunder and wind, which are likewise constantly paired phenomena. The lower trigram indicates gentleness within; the upper, movement without.*

*In the sphere of social relationships, the hexagram represents the institution of marriage as the enduring union of the sexes. During courtship the young man subordinates himself to the girl, but in marriage, which is represented by the coming together of the eldest son and the eldest daughter, the husband is the directing and moving force outside, while the wife, inside, is gentle and submissive.*

### THE JUDGMENT

*DURATION. Success. No blame.  
Perseverance furthers.  
It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

### 2) THE ADVICE

*Thunder and wind: the image of DURATION.  
Thus the superior man stands firm*



*And does not change his direction.*

*Thunder rolls, and the wind blows; both are examples of extreme mobility and so are seemingly the very opposite of duration, but the laws governing their appearance and subsidence, their coming and going, endure. In the same way the independence of the superior man is not based on rigidity and immobility of character. He always keeps abreast of the time and changes with it. What endures is the unswerving directive, the inner law of his being, which determines all his actions.*

### **3) THE LINES:**

*0 Nine in the second place means:*  
*Remorse disappears.*

*The situation is abnormal. A man's force of character is greater than the available material power. Thus he might be afraid of allowing himself to attempt something beyond his strength. However, since it is the time of DURATION, it is possible for him to control his inner strength and so to avoid excess. Cause for remorse then disappears.*

*Six at the top means:*  
*Restlessness as an enduring condition brings misfortune.*

*There are people who live in a state of perpetual hurry without ever attaining inner composure. Restlessness not only prevents all thoroughness but actually becomes a danger if it is dominant in places of authority.*

## **Electronic Arts Inc. ERTS under CEO John S. Riccitiello**

John S. Riccitiello's Performance:	ROI= (53.66%)	Annualized Return= (16.32%)
SPY's Performance:	ROI= ( 7.22%)	Annualized Return= ( 1.72%)

John S. Riccitiello has been CEO since April 2007. His performance has been very poor compared with the SPY's in spite of the fact he seems to have the qualities necessary to manage under the Union Time-Space such as the Power of the Great. There is still time and he should be able to overcome the Nuclear Time-Space of the Falling Apart.

What is interesting is that the way out may consist in the proper interpretation of the MOVING Time-Space from his Union Time-Space. Perhaps the I Ching is asking him to turn his corporation into a Receptive corporation, that is a corporation that produces what others design rather than a Creative corporation which only designs and let others produce.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(See Above)

### **2) THE ADVICE**

(See Above) .

### **3) THE LINES:**

*0 Nine in the fifth place means:*

*Manifestation of holding together.*

*In the hunt the king uses beaters on three sides only*

*And foregoes game that runs off in front.*

*The citizens need no warning.*

*Good fortune.*

*In the royal hunts of ancient China it was customary to drive up the game from three sides, but on the fourth the animals had a chance to run off. If they failed to do this they had to pass through a gate behind which the king stood ready to shoot. Only animals that entered here were shot; those that ran off in front were permitted to escape. This custom accorded with a kingly attitude; the royal hunter did not wish to turn the chase into a slaughter, but held that the kill should consist only of those animals which had so to speak voluntarily exposed themselves.*

*There is depicted here a ruler, or influential man, to whom people are attracted. Those who come to him he accepts, those who do not come are allowed to go their own way. He invites none, flatters none - all come of their own free will. In this way there develops a voluntary dependence among those who hold to him. They do not have to be constantly on their guard but may express their opinions openly. Police measures are not necessary, and they cleave to their ruler of their own volition. The same principle of freedom is valid for life in general. We should not woo favor from people. If a man cultivates within himself the purity and the strength that are necessary for one who is the center of a fellowship, those who are meant for him come of their own accord.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 02 - K'un - THE RECEPTIVE*

*This hexagram is made up of broken lines only. The broken line represents the dark, yielding, receptive primal power of yin. The attribute of the hexagram is devotion; its image is the earth. It is the perfect complement of THE CREATIVE - the complement, not the opposite, 1 for the Receptive does not combat the Creative but complements it. It represents nature in contrast to spirit, earth in contrast to heaven, space as against time, the female-maternal as against the*

male-paternal. However, as applied to human affairs, the principle of this complementary relationship is found not only in the relation between man and woman, but also in that between prince and minister and between father and son. Indeed, even in the individual this duality appears in the coexistence of the spiritual world and the world of the senses.

But strictly speaking there is no real dualism here, because there is a clearly defined hierarchic relationship between the two principles. In itself of course the Receptive is just as important as the Creative, but the attribute of devotion defines the place occupied by this primal power in relation to the Creative. For the Receptive must be activated and led by the Creative; then it is productive of good. Only when it abandons this position and tries to stand as an equal side by side with the Creative, does it become evil. The result then is opposition to and struggle against the Creative, which is productive of evil to both.

## THE JUDGMENT

*THE RECEPTIVE brings about sublime success,  
Furthering through the perseverance of a mare.  
If the superior man undertakes something and tries to lead,  
He goes astray;  
But if he follows, he finds guidance  
It is favorable to find friends in the west and south,  
To forego friends in the east and north.  
Quiet perseverance brings good fortune.*

The four fundamental aspects of the Creative - "sublime success, furthering through perseverance"- are also attributed to the Receptive. Here, however, the perseverance is more closely defined: it is that of a mare. The Receptive connotes spatial reality in contrast to the spiritual potentiality of the Creative. The potential becomes real and the spiritual becomes spatial through a specifically qualifying definition. Thus the qualification, "of a mare," is here added to the idea of perseverance. The horse belongs to earth just as the dragon belongs to heaven. Its tireless roaming over the plains is taken as a symbol of the vast expanse of the earth. This is the symbol chosen because the mare combines the strength and swiftness of the horse with the gentleness and devotion of the cow.

Only because nature in its myriad forms corresponds with the myriad impulses of the Creative can it make these impulses real. Nature's richness lies in its power to nourish all living things; its greatness lies in its power to give them beauty and splendor. Thus it prospers all that lives. It is the Creative that begets things, but they are brought to birth by the Receptive. Applied to human affairs, therefore, what the hexagram indicates is action in conformity with the situation. The person in question is not in an independent position, but is acting as an assistant. This means that he must achieve something. It is not his task to try to lead - that would only make him lose the way - but to let him be led. If he knows how to meet fate with an attitude of acceptance, he is sure to find the right guidance. The superior man lets himself be guided; he does not go ahead blindly, but learns from the situation what is demanded of him and then follows this intimation from fate.

Since there is something to be accomplished, we need friends and helpers in the hour of toil and effort, once the ideas to be realized are firmly set. The time of toil and effort is indicated by the west and the south, for west and south symbolize the place where the Receptive works for the Creative, as nature does in summer and autumn. If in that situation one does not mobilize

*all one's powers, the work to be accomplished will not be done. Hence to find friends there means to find guidance. But in addition to the time of toil and effort, there is also a time of planning, and for this we need solitude. The east symbolizes the place where a man receives orders from his master and the north the place where he reports on what he has done. At that time he must be alone and objective. In this sacred hour he must do without companions so that the purity of the moment may not be spoiled by factional hates and favoritism.*

## THE IMAGE

*The earth's condition is receptive devotion.  
Thus the superior man who has breadth of character  
Carries the outer world.*

*Just as there is only one heaven, so too there is only one earth. In the hexagram of the heaven the (doubling, of the trigram implies duration in time, but in the hexagram of earth the doubling connotes the solidity and extension in space by virtue of which the earth is able to carry and preserve all things that live and move upon it. The earth in its devotion carries all things, good and evil, without exception. In the same way the superior man gives to his character breadth, purity, and sustaining power, so that he is able both to support and to bear with people and things.*

## **Inquire of the Oracle once again**

When we draw the Union Hexagram, it is customary to ask the Oracle once more to see if the leader who is called to Unite the corporation possess the sublimity, constancy and perseverance necessary to carry out this task:

## **Electronic Arts Inc. ERTS under CEO John S. Riccitiello-does he possess sublimity, constancy and perseverance**

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 34 - Ta Chuang - The Power of the Great*

*The great lines, that is, the light, strong lines, are powerful. Four light lines have entered the hexagram from below and are about to ascend higher. The upper trigram is Chen, the Arousing; the lower is Ch'ien, the Creative. Ch'ien is strong, Chen produces movement. The union of movement and strength gives the meaning of THE POWER OF THE GREAT. The hexagram is linked with the second month (March April).*

## THE JUDGMENT

**THE POWER OF THE GREAT.**  
*Perseverance furthers.*

*The hexagram points to a time when inner worth mounts with great force and comes to power. But its strength has already passed beyond the median line, hence there is danger that one may rely entirely on one's own power and forget to ask what is right. There is danger too that, being intent on movement, we may not wait for the right time. Therefore the added statement that perseverance furthers. For that is truly great power which does not degenerate into mere force but remains inwardly united with the fundamental principles of right and of justice. When we understand this point - namely, that greatness and justice must be indissoluble united - we understand the true meaning of all that happens in heaven and on earth.*

**2) THE ADVICE**

Thunder in heaven above: The image of THE POWER OF THE GREAT.  
Thus the superior man does not tread upon paths  
That do not accord with established order.

Thunder - electrical energy - mounts upward in the spring. The direction of this movement is in harmony with that of the movement of heaven. It is therefore a movement in accord with heaven, producing great power. However, true greatness depends on being in harmony with what is right. Therefore in times of great power the superior man avoids doing anything that is not in harmony with the established order.

**3) THE LINES:**

There are no moving lines and therefore no moving hexagram

## **09 - THE TAMING POWER OF THE SMALL**

### **MANAGERIAL ISSUE**

The CEO – managing superior forces (executives/corporations) in spite of his lack of power.

Hexagram 9 describes the nature of the power of a really powerless CEO and how he manages the stronger executives around him through the use of his skills and persuasion. The powerful managers or his fellow CEOs in the industry might want to impose their ideas on how to run the corporation, but the CEO, in spite of his weakness, has the ability to impose his own ideas. Is this CEO convinced the executives are in essence no good for the corporation?

This CEO has been elevated to his high position without earning the respect and the backing of his colleagues. He is a powerless CEO, and he is in a weak position. This CEO, who is surrounded by managers with greater capacity, is someone who lacks in depth knowledge of the business he is in, and all the employees know this. Nevertheless, he has some qualities, which he must learn to put to good use if he wants to succeed.

This Time-Space represents in many ways the “tyranny of the midget” - for instance, Bear Sterns during the Long Term Capital work out in 1998. Bear Sterns exposure represented but a small portion of LTC’s total liability. Yet Bear Sterns gave all the other financial institutions a big headache by holding back any collective agreement. Its strategy was to force the larger institutions to buy its exposure out. The other financial institutions did comply with this arrogant request but they also placed Bear Sterns on a blacklist. During the crash of 2008, they made sure Bear Sterns did not survive. The secret of having THE TAMING POWER OF THE SMALL is not to exercise it at all. Everyone hates the undeserved Taming Power of the Small or the “tyranny of the midget”.

### **MANAGERIAL LESSON:**

The Superior CEO:

- 1) Earns the respect of his colleagues and fellow employees. The way to do it is to keep a humble attitude and to lean on his personal qualities. He might not know this but the I Ching believes this CEO has some personal qualities, which if he were to put to good use would enable him to create a winning team.
- 2) Prepares for better business opportunities. The times for this corporation are not all that bad. There is even a possibility the CEO might achieve his objectives. However, this is clearly not the moment for the CEO to carry out any grand projects. Instead, he must prepare for better opportunities. He may counterbalance any YIN or YANG position the other executives may have, but he must do so with the two elements the I Ching recommends the most in this particular case -
  - a. *“firm determination within and* (within the Corporation)
  - b. *gentleness and adaptability in external relations”* (without the Corporation)

- 3) Realizes his success is directly related to his capacity in winning the good will of the other managers who are clearly his superiors in know-how.
- The I Ching says (\*): *"The wind can indeed drive the clouds together in the sky; yet, being nothing but air, without solid body, it does not produce great or lasting effects. So also an individual, in times when he can produce no great effect in the outer world, can do nothing except refine the expression of his nature in small ways."*

## **INVESTMENT ADVICE:**

For the investor, the Taming Power of the Small Time–Space is in general relatively favorable.

By itself (no lines), the Hexagram points to success provided the CEO overcomes many obstacles through diplomacy; however, the investor should keep in mind that a Time–Space of a powerless CEO is not the best of times to invest.

*THE TAMING POWER, OF THE SMALL*

*Has success.*

*Dense clouds, no rain from our western region.*

*This image refers to the state of affairs in China at the time when King Wen, who came originally from the west, was in the east at the court of the reigning tyrant Chou Hsin. The moment for action on a large scale has not yet arrived. King Wen could only keep the tyrant somewhat in check by friendly persuasion. Hence the image of many clouds, promising moisture and blessing to the land, although as yet no rain falls. The situation is not unfavorable; there is a prospect of ultimate success, but there are still obstacles in the way, and we can merely take preparatory measures.*

*Only through the small means of friendly persuasion can we exert any influence. The time has not yet come for sweeping measures. However, we may be able, to a limited extent, to act as a restraining and subduing influence. To carry out our purpose we need firm determination within and gentleness and adaptability in external relations.*

Three out of the six lines are positive for investing (1, 2, and 5). This makes this Time Space relatively positive.

The following examples are those of corporations under the Taming Power of the Small Time-Space.

- **Intel Corporation INTC under CEO Paul S. Otellini**
- **Broadcom Corp. BRCM under CEO Scott A. McGregor**
- **Liberty Media Interactive LINTA under CEO Gregory B. Maffei**
- **Ross Stores Inc. ROST under CEO Michael Balmuth**

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power- refraining from using whatever little strength his position grants him.

**Managerial Lesson:** Be friendly.

**Managerial Warning:** At the first stage of the Taming Power of the Small Time-Space, the powerless CEO must recognize he must never use force.

**Managerial Advice:** The Superior CEOs understands, the proper position is to be able to go forward as well as backwards. He knows the last thing a CEO wants when dealing from a powerless position is to try and move forward forcing his way out. A powerless CEO must be subtle, tactful and friendly according to the situation. He must fall back to his original position so that he may later decide whether to advance or retreat. If he does, he will be successful.

**Investment Advice:** Invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power – gracefully withdrawing.

**Managerial Lesson:** Be attentive.

**Managerial Warning:** At the second stage of the Taming Power of the Small Time-Space, the CEO, by observing his fellow CEOs, might be lucky enough to realize in the nick of time that the goals he has imposed upon the corporation are the wrong ones. He should accept this fact in good manner and withdraw. Furthermore, such goals might not count with the backing of the other executives. His policies are out of sync with the times.

**Managerial Advice:** The Superior CEO always listens. He knows that even a powerless CEO can run a corporation if he knows how to listen. Listening is one of the greatest qualities of any CEO. This humble attitude practically always guarantees success. By listening, he avoids the destruction of the corporation and of himself.

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power – pushing the issue forcefully.



**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Taming Power of the Small Time-Space, the CEO perceives his powerlessness and, out of pride, decides to impose his goals in a forceful manner. Unfortunately his timing (as well as his attitude) is wrong.

**Managerial Advice:** The Superior CEO's humility will not allow him to be overbearing. He knows a powerless CEO should not impose his will when external conditions overwhelm him. He cannot achieve his goals because of external conditions - the present economic circumstances or a downturn in the industry. If a great and powerful CEO would not dare to impose his goals but rather uses persuasion, why should a powerless CEO who knows little about the industry be willing to do so? An arrogant attitude causes a great opposition against the CEO because his supposedly easy victory did not materialize.

This is Apple's John Sculley when it introduced the Newton project - a CEO who knows nothing of technology, surrounded by executives who do, trying to force a project that is going nowhere. The time was not the proper time.

**Investment advice:** Do not invest

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power - holding back the Board of Directors from executing the wrong project.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fourth stage of the Taming Power of the Small Time-Space, the CEO must realize his position is very delicate. Not only his position is powerless but also the Board of Directors has entrusted him with carrying out very aggressive goals. How can a powerless CEO use his influences to keep the Board of Directors from executing a project he believes to be disastrous for his corporation?

**Managerial Advice:** The Superior CEO is honest. He will tell them diplomatically if possible, their project represents a real danger to the corporation. He will do so even if it costs him his job. An act of sincerity behind any motion to stop a project which will harm the corporation is greater than the CEO's powerlessness. The key to success lies in realizing there is a real possibility of failure, even if in this particular case his own internal strength might lead him to success.

This is Viacom's CEO Tom Freston making sure Viacom did not incur a loss of \$600 million by buying out MySpace. His decision was the right one as a few years later MySpace was worthless. Nevertheless, Sumner Redstone fired him for not buying out MySpace.

**Investment Advice:** Do not invest.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power - bonding with stronger executives/corporations for their mutual benefit.

**Managerial Lesson:** Be conciliatory.

**Managerial Warning:** At the fifth stage of the Taming Power of the Small Time-Space, the CEOs task is to tie the weak with the strong so that they may complement each other.

**Managerial Advice:** The Superior CEO will reach over across to the stronger executives/corporations and win them over to his cause. This means sharing power and gain. In this way all parties will pull the same way because they have much to gain from cooperation. If he is loyal to them, they will be devoted to him. If they are loyal to him, they will prove their trustworthiness to him.

**Investment Advice:** Invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing superior forces (executives/corporations) in spite of his lack of power - dealing with an apparent victory obtained from a powerless position.

**Managerial Lesson:** Be real.

**Managerial Warning:** At the sixth stage of the Taming Power of the Small Time-Space, the CEO must realize that any victory obtained from a weak position should be seen for what it really is.

**Managerial Advice:** The Superior CEO is down to earth. He would never claim a victory as his own if it was won without a clear mandate and mainly because of the support of executives who are clearly more knowledgeable than him. This is not a grand victory but one won by small steps. It is only a mirage and might turn out to be a fleeting victory. The Superior CEO honestly and openly recognizes when he is not the real source of a victory and would never flaunt it as his own.

This is the highest point this CEO can reach. From now on whatever small power he may have will be diminished.

**Investment advice:** Do not invest.

## MANAGERIAL CASES

### **Intel Corporation INTC under CEO Paul S. Otellini**

Paul S. Otellini's Performance:	ROI=	(13.11%)	Annualized Return=	(2.24%)
SPY's Performance:	ROI=	11.93%	Annualized Return=	1.84%

Paul S. Otellini has been CEO since May of 2005. Since then, his performance has been below that of the SPY's. He is having a difficult time overcoming the Nine at the Top. He is a talented CEO (Superior man), but by advancing before the appropriate time he is leading the corporation to its misfortune.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 09 - Hsiao Ch'u - The Taming Power of the Small*

*This hexagram means the force of the small - the power of the shadowy - that restrains, tames, impedes. A weak line in the fourth place, that of the minister, 1 holds the five strong lines in check. In the Image it is the wind blowing across the sky. The wind restrains the clouds, the rising breath of the Creative, and makes them grow dense, but as yet is not strong enough to turn them to rain.*

*The hexagram presents a configuration of circumstances in which a strong element is temporarily held in leash by a weak element. It is only through gentleness that this can have a successful outcome.*

*THE JUDGMENT*

*THE TAMING POWER, OF THE SMALL*

*Has success.*

*Dense clouds, no rain from our western region.*

*This image refers to the state of affairs in China at the time when King Wen, who came originally from the west, was in the east at the court of the reigning tyrant Chou Hsin. The moment for action on a large scale has not yet arrived. King Wen could only keep the tyrant somewhat in check by friendly persuasion. Hence the image of many clouds, promising moisture and blessing to the land, although as yet no rain falls. The situation is not unfavorable; there is a prospect of ultimate success, but there are still obstacles in the way, and we can merely take preparatory measures.*

*Only through the small means of friendly persuasion can we exert any influence. The time has not yet come for sweeping measures. However, we may be able, to a limited extent, to act as a restraining and subduing influence. To carry out our purpose we need firm determination within and gentleness and adaptability in external relations.*

## **2) THE ADVICE**

*The wind drives across heaven: The image of THE TAMING POWER OF THE SMALL.  
Thus the superior man  
Refines the outward aspect of his nature.*

*The wind can indeed drive the clouds together in the sky; yet, being nothing but air, without solid body, it does not produce great or lasting effects. So also an individual, in times when he can produce no great effect in the outer world, can do nothing except refine the expression of his nature in small ways.*

## **3) THE LINES:**

*Nine at the top means:  
The rain comes, there is rest.  
This is due to the lasting effect of character.  
Perseverance brings the woman into danger.  
The moon is nearly full.  
If the superior man persists,  
Misfortune comes.*

*Success is at hand. The wind has driven up the rain. A fixed standpoint has been reached. This has come about through the cumulating of small effects produced by reverence for a superior character. But a success thus secured bit by bit calls for great caution. It would be a dangerous illusion for anyone to think he could presume upon it. The female principle, the weak element that has won the victory, should never persist in vaunting it - that would lead to danger. The dark power in the moon is strongest when the moon is almost full. When it is full and directly opposite the sun, its waning is inevitable. Under such circumstances one must be content with what has been achieved. To advance any farther, before the appropriate time has come, would lead to misfortune.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 05 – Hsu - Waiting (Nourishment)*

*All beings have need of nourishment from above. But the gift of food comes in its own time, and for this one must wait. This hexagram shows the clouds in the heavens, giving rain to refresh all that grows and to provide mankind with food and drink. The rain will come in its own time. We cannot make it come; we have to wait for it. The idea of waiting is further suggested by the attributes of the two trigrams - strength within, danger in front. 2 Strength in the face of danger does not plunge ahead but bides its time, whereas weakness in the face of danger grows agitated and has not the patience to wait.*

## THE JUDGMENT

*WAITING. If you are sincere,  
You have light and success.  
Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

## THE IMAGE

*Clouds rise up to heaven: The image of WAITING.  
Thus the superior man eats and drinks,  
Is joyous and of good cheer.*

*When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready.*

## **Broadcom Corp. BRCM under CEO Scott A. McGregor**

Scott A. McGregor's Performance:	ROI= 74.19%	Annualized Return= 8.83%
SPY's Performance:	ROI= 12.57%	Annualized Return= 1.82%

Scott A. McGregor has been CEO since January 2005. Since then, his performance has been much better than the SPY's. The two lines, both of which refer to Good Fortune, are helping him substantially in achieving such performance. No doubt he has the Qi and the mandate of Heaven.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(See Above)

### **2) THE ADVICE**

(See Above)

### **3) THE LINES:**

Nine at the beginning means:

*Return to the way.*

*How could there be blame in this?*

*Good fortune.*

*It lies in the nature of a strong man to press forward. In so doing he encounters obstructions. Therefore he returns to the way suited to his situation, where he is free to advance or to retreat. In the nature of things this will bring good fortune, for it is wise and reasonable not to try to obtain anything by force.*

Nine in the second place means:

*He allows himself to be drawn into returning.*

*Good fortune.*

*One would like to press forward, but before going farther one sees from the example of others like oneself that this way is blocked. In such a case, if the effort to push forward is not in harmony with the time, a reasonable and resolute man will not expose himself to a personal rebuff, but will retreat with others of like mind. This brings good fortune, because he does others of like not needlessly jeopardize himself.*

### **4) THE MOVING HEXAGRAM**

HEXAGRAM 53 – Chien - Development (Gradual Progress)

*This hexagram is made up of Sun (wood, penetration) above, i.e., without, and Ken (mountain, stillness) below, i.e., within. A tree on a mountain develops slowly according to the law of its being and consequently stands firmly rooted. This gives the idea of a development that proceeds gradually, step by step. The attributes of the trigrams also point to this: within is tranquility, which guards against precipitate actions, and without is penetration, which makes development and progress possible.*

## THE JUDGMENT

### DEVELOPMENT.

*The maiden*

*Is given in marriage.*

*Good fortune.*

*Perseverance furthers.*

*The development of events that leads to a girl's following a man to his home proceeds slowly. The various formalities must be disposed of before the marriage takes place. This principle of gradual development can be applied to other situations as well; it is always applicable where it is a matter of correct relationships of co-operation, as for instance in the appointment of an official. The development must be allowed to take its proper course. Hasty action would not be wise. This is also true, finally, of any effort to exert influence on others, for here too the essential factor is a correct way of development through cultivation of one's own personality.*

*No influence such as that exerted by agitators has a lasting effect. Within the personality too, development must follow the same course if lasting results are to be achieved. Gentleness that is adaptable, but at the same time penetrating, is the outer form that should proceed from inner calm. The very gradualness of the development makes it necessary to have perseverance, for perseverance alone prevents slow progress from dwindling to nothing.*

## THE IMAGE

*On the mountain, a tree: The image of DEVELOPMENT.*

*Thus the superior man abides in dignity and virtue,*

*In order to improve the mores.*

*The tree on the mountain is visible from afar, and its development influences the landscape of the entire region. It does not shoot up like a swamp plant; its growth proceeds gradually. Thus also the work of influencing people can be only gradual. No sudden influence or awakening is of lasting effect. Progress must be quite gradual, and in order to obtain such progress in public opinion and in the mores of the people, it is necessary for the personality to acquire influence and weight. This comes about through careful and constant work on one's own moral development.*

## Liberty Media Interactive LINTA under CEO Gregory B. Maffei

Gregory B. Maffei's Performance:	ROI=	(7.28%)	Annualized Return=	(1.45%)
SPY's Performance:	ROI=	3.36%	Annualized Return=	0.64%

Gregory B. Maffei has been CEO since February 2006. Since then his performance has been lagging the performance of the SPY's in spite of the Good Fortune line. Perhaps he might have a difficult time managing his Moving Time-Space. In any event, he still has time to correct his performance.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(See Above)

### **2) THE ADVICE**

(See Above)

### **3) THE LINES:**

*Nine at the beginning means:*

*Return to the way.*

*How could there be blame in this?*

*Good fortune.*

*It lies in the nature of a strong man to press forward. In so doing he encounters obstructions. Therefore he returns to the way suited to his situation, where he is free to advance or to retreat. In the nature of things this will bring good fortune, for it is wise and reasonable not to try to obtain anything by force.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 57 – Sun - The Gentle (The Penetrating, Wind)*

*Sun is one of the eight doubled trigrams. It is the eldest daughter and symbolizes wind or wood; it has for its attribute gentleness, which nonetheless penetrates like the wind or like growing wood with its roots.*

*The dark principle, in itself rigid and immovable, is dissolved by the penetrating light principle, to which it subordinates itself in gentleness. In nature, it is the wind that disperses the gathered clouds, leaving the sky clear and serene. In human life it is penetrating clarity of judgment that thwarts all dark hidden motives. In the life of the community it is the powerful influence of a great personality that uncovers and breaks up those intrigues which shun the light of day.*

*THE JUDGMENT*

*THE GENTLE.*

*Success through what is small.*

*It furthers one to have somewhere to go.*

*It furthers one to see the great man.*

*Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than*



*those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.*

## **THE IMAGE**

*Winds following one upon the other: The image of THE GENTLY PENETRATING.*

*Thus the superior man*

*Spreads his commands abroad*

*And carries out his undertakings.*

*The penetrating quality of the wind depends upon its ceaselessness. This is what makes it so powerful; time is its instrument. In the same way the ruler's thought should penetrate the soul of the people. This too requires a lasting influence brought about by enlightenment and command. Only when the command has been assimilated by the people is action in accordance with it possible. Action without preparation of the ground only frightens and repels.*

## **Ross Stores Inc. ROST under CEO Michael Balmuth**

Michael Balmuth's Performance:	ROI= 1,663.41%	Annualized Return= 21.23%
SPY's Performance:	ROI= 94.30%	Annualized Return= 4.56%

Michael Balmuth has been CEO since September 1996. Since then, his performance proves he has been a Superior CEO.

Because he has been CEO for a long time, we asked the Oracle once more about his future Time-Space. It is The Taming Power of the Small.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(See Above)

#### **2) THE ADVICE**

(See Above)

### **3) THE LINES:**

*Nine in the fifth place means:*

*If you are sincere and loyally attached,  
You are rich in your neighbor.*

*Loyalty leads to firm ties because it means that each partner complements the other. In the weaker person loyalty consists in devotion, in the stronger it consists in trustworthiness. This relation of mutual reinforcement leads to a true wealth that is all the more apparent because it is not selfishly hoarded but is shared with friends. Pleasure shared is pleasure doubled.*

This line is the perfect interpretation of what Ross Stores does for its customers. Even though the language of the I Ching is thousands of years old, it is amazing that it should counsel a modern CEO on how to get rich:

- By making its customers (neighbors) rich,
- By being devoted and trustworthy of its customers, and
- By not selfishly hoarding its savings but to transfer them onto its customers.

**AMAZING!!!!**

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 26 - Ta Ch'u - The Taming Power of the Great*

*The Creative is tamed by Ken, Keeping Still. This produces great power, a situation in contrast to that of the ninth hexagram, Hsiao Ch'u, THE TAMING POWER OF THE SMALL, in which the Creative is tamed by the Gentle alone. There one weak line must tame five strong lines, but here four strong lines are restrained by two weak lines; in addition to a minister, there is a prince, and the restraining power therefore is far stronger.*

*The hexagram has a threefold meaning, expressing different aspects of the concept Holding firm. Heaven within the mountain gives the idea of holding firm in the sense of holding together; the trigram Ken, which holds the trigram Ch'ien still, gives the idea of holding firm in the sense of holding back; the third idea is that of holding firm in the sense of caring for and nourishing. This last is suggested by the fact that a strong line at the top, which is the ruler of the hexagram, is honored and tended as a sage. The third of these meanings also attaches specifically to this strong line at the top, which represents the sage.*

*THE JUDGMENT*

*THE TAMING POWER OF THE GREAT.*

*Perseverance furthers.*

*Not eating at home brings good fortune.*

*It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the*

*daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.*

## *THE IMAGE*

*Heaven within the mountain:*

*The image of THE TAMING POWER OF THE GREAT.*

*Thus the superior man acquaints himself with many sayings of antiquity*

*And many deeds of the past, In order to strengthen his character thereby.*

*Heaven within the mountain points to hidden treasures. In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters.*

*The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past.*

## 10 - TREADING (CONDUCT)

### MANAGERIAL ISSUE:

The CEO – managing the corporation under the proper conduct.

Hexagram 10 deals with two situations:

1. For the CEO, it means the proper behavior to follow for him as well as for the rest of the employees. This is especially the case when the employees are a very difficult group of people, such as the case of a software corporation where the employees are the highly intellectual type.
2. For the corporation itself, it means the risk of dangerously imitating a larger and stronger corporation within the industry, sometimes even leaning on it for technical support, as well as dangerously irritating a government.

For a corporation to survive there must be a hierarchical structure where everyone knows his place - where the CEO is CEO and the janitor is janitor. For the industry there must also be a hierarchy amongst the corporations. The larger one must show tolerance to the smaller ones and the smaller one must show respect for the larger one and especially refrain from copying the larger one's products. In this case, however, it could be said that the large corporation would like the small one to survive and thus avoid charges of monopoly. That is the reason why the larger corporation is very forgiving with the smaller one even though the smaller one is probably copying many of its products.

And that is the reason why Microsoft invested \$150 million in Apple in 1997 after Apple reported a disastrous \$1 billion loss – to make sure Apple did not go bankrupt. Microsoft needed Apple alive to avoid becoming a complete software monopoly.

But this Time-Space is also a perfect example of the Time-Space of Citigroup after the 2008 crash (see below). It can afford to tread upon the stronger US Government because it knows it is too big to fail. No matter how many mistakes, no matter how much money it loses or throws away, the larger and stronger US government will not punish it.

- The I Ching says: *“The fact that the strong treads on the weak is not mentioned in the Book of Changes, because it is taken for granted. For the weak to take a stand against the strong is not dangerous here, because it happens in good humor [Tui] and without presumption, so that the strong man is not irritated but takes it all in good part”.*

In general terms, however, this is a time for keeping a certain order, for the small corporation to look for its place and not to alienate the stronger one. This is much like a lions' pride where everyone knows its place. So is the case in the industry where each corporation knows its place.

## **MANAGERIAL LESSON:**

### The Superior CEO:

1. Sets the example by behaving with dignity when dealing with difficult people.
  - The I Ching says: *“Pleasant manners succeed even with irritable people”*.
2. Rewards the employees on a merit basis only. It is the only way to deal with difficult people.
  - The I Ching says: *“Thus the superior man discriminates between high and low, and thereby fortifies the thinking of the people... Heaven and the Lake show a difference of elevation that inheres in the natures of the two, hence no envy arises. Among mankind also there are necessarily differences of elevation; it is impossible to bring about universal equality. But it is important that differences in social rank should not be arbitrary and unjust, for if this occurs, envy and class struggle are the inevitable consequences. If, on the other hand, external differences in rank correspond with differences in inner worth, and if inner worth forms the criterion of external rank, people acquiesce and order reigns in society.”*
3. Studies well the lines before making any moves. If the lines point to God Fortune, the small corporation will get away with challenging the larger one. If not, the CEO must prepare for difficult conditions should he decide to begin an aggressive campaign with new products. If the line is not positive, this might be a situation of possible losses and it might not be worth the effort, even if at times his campaign promises to be successful right from the very beginning. The idea of a small corporation daring to take on and compete against a larger one, even if the large one shows tolerance towards it, is a risk which most CEOs should not assume without checking the final outcome. What is important are the lines. Rather than face destruction, it would be better to keep its good position within the industry, a position it was able to maintain due to both its low profile and the fact that it has managed to avoid a direct confrontation with the larger companies of the industry.

## **INVESTMENT ADVICE:**

For the investor, The Treading Time–Space is favorable.

By itself (no lines), the Hexagram points to success because the strong takes the attacks of the small in a light manner and does not harm him:

*TREADING.*

*Treading upon the tail of the tiger.*

*It does not bite the man.*

*Success.*

*The situation is really difficult. That which is strongest and that which is weakest are close together. The weak follows behind the strong and worries it. The strong, however, acquiesces and does not hurt the weak, because the contact is in good humor and harmless.*

*In terms of a human situation, one is handling wild, intractable people. In such a case one's purpose will be achieved if one behaves with decorum. Pleasant manners succeed even with irritable people.*

Four of the six lines are positive for investing (2, 4, 5, and 6) which make this hexagram mostly positive.

The following examples are those of corporations under the Treading Time-Space:

- **Citigroup, Inc. C Under CEO Vikram S. Pandit**
- **Life Technologies Corporation LIFE under CEO Gregory T. Lucier**
- **Baidu, Inc. BIDU under CEO Yanhong Li**
- **Altera Corp. ALTR under CEO John P. Daane**

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – not challenging the stronger corporations, being content with simplicity.

**Managerial Lesson:** Be modest.

**Managerial Warning:** At the first stage of the Treading Time-Space, the CEO must realize that for the corporation as well as for himself, sometimes it is best to be modest and maintain a low profile.

**Managerial Advice:** There are two cases here:

1. For the corporation – this is a corporation with a good position (financial strength) within the industry due to both its low profile and the fact that it has managed to avoid a direct confrontation with the larger corporations within the industry. Nevertheless, in this case, the small corporation is about to begin an aggressive campaign with new products, which promise to be successful right from the very beginning.
  - If the move is only a marketing move with nothing new to offer, they will lose out. Especially if the move is made out of pride, just to move up from its low ranking position within the industry. The small corporation's empty move would force the strongest corporation to counter attack and destroy the small one. The small corporation might win some battles, but in the end, it will lose the war because of its wild ambition.
  - If the move is made because the corporation really has something new to offer, it will earn the respect of the larger corporations and strengthen its position even though it might not make it to the number one spot.

2. For the CEO - he is about to use force on all the unruly employees in an attempt to control them. Nevertheless, his efforts are not correct but rather are born from his wild ambition. This is bound to fail.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – recognizing its own place in the industry.

**Managerial Lesson:** Be compliant.

**Managerial Warning:** At the second stage of the Treading Time-Space, the CEO must realize it is not wise to challenge the will of Heaven. He must not allow himself to be tempted to be or to do what is not his true mission.

**Managerial Advice:** The Superior CEO keeps the corporation true to its goals. He will neither be tempted to follow the latest fads nor to seek strange alliances. He knows when to maintain a no-aggressive attitude and make no plans to outgrow their much larger and stronger competitors. The proper attitude allows the corporation to live together with the other larger corporations and still be profitable.

**Investment Advice:** Invest

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – breaking the code of conduct without the resources and unsure of the outcome.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Treading Time-Space, the CEO of the small corporation is about to launch an aggressive campaign to take the lead from the larger corporations in the industry.

**Managerial Advice:** The Superior CEO is humble. He realizes his weakness and averts the danger. He does not make the mistake of thinking his corporation has the withal (financial strength, products and the marketing know-how) to launch an aggressive marketing campaign. He recognizes when his corporation does not have the resources, when it would be overreaching, and when the net result will be a loss. The Superior CEO knows the key to success lies in recognizing the limitations and in not going beyond what the corporation's strength allows.

**Investment Advice:** Do not invest.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – breaking the code of conduct with the proper resources and sure of the outcome.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the fourth stage of the Treading Time-Space, the CEO of a small corporation is planning a campaign to take the lead from the stronger corporations. His plan is bold and is full of risks; however, this time the corporation has the financial and human resources required to succeed. Fate is on his side.

**Managerial Advice:** The Superior CEO knows when Heaven is on his side and therefore, when to go ahead with an aggressive marketing campaign. In this case, the small corporation will succeed because it has: the necessary resources to pull it off **IN TIME**, the right products at the right time, and the right attitude of proper persistence without being too aggressive. Heaven is on his side.

**Investment Advice:** Invest

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – with the vision to make his move.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the fifth stage of the Treading Time-Space, the CEO “sees that one has to be resolute in his conduct.”

**Managerial Advice:** The Superior CEO allows his vision (sees) to give him the necessary resolution to move. Yet, his wisdom will be tempered by his awareness of danger at all times. He knows that perseverance and consciousness of danger are keys to success.

*This refers to the ruler of the hexagram as a whole.*

- *One sees that one has to be resolute in conduct.*

*But at the same time*

- *one must remain conscious of the danger connected with such resoluteness, especially if it is to be persevered in.*

*Only awareness of the danger makes **success** possible.*

This is one of the lines of Ray Dalio: what am I doing wrong? What am I doing wrong?

**Investment Advice:** Invest.



## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporation under the proper conduct – weighing the favorable signs when everything is fulfilled.

**Managerial Lesson:** Be analytical.

**Managerial Warning:** At the sixth stage of the Treading Time-Space, the CEO of a small corporation has already carried out his break-out-of-the-pack strategy.

**Managerial Advice:** The Superior CEO is patient and analytical. He knows when to wait and analyze the results. There is no definite answer or outcome. But if the results of his strategy are becoming evidently positive then the final result will be extremely positive. Now is a time to wait to see the results.

**Investment Advice:** Invest.

## **MANAGERIAL CASES**

### **Citigroup, Inc. C Under CEO Vikram S. Pandit**

Vikram S. Pandit's Performance:	ROI= (87.36%)	Annualized Return= (43.43%)
SPY's Performance:	ROI= (10.54%)	Annualized Return= (3.02%)

Vikram S. Pandit has been CEO since December 11, 2007. Since 6/15/2009, his performance has been dismal. However, it would not be fair to compare his performance with that of the SPY, not after the mess Prince left him – although in all fairness, it was really the making of Sandy Weill, the perfect example of what not to do in management.

It is not easy to measure Pandit's performance, but he is showing humility by getting rid of all the garbage Weill put together. The I Ching speaks well of the Pandit-Citi Time-Space since his line points to Good Fortune. However, the CEO and the investor should keep in mind that the word "ultimately" points to time and effort.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 10 – Lu - Treading (Conduct)*

The name of the hexagram means on the one hand the right way of conducting oneself. Heaven, the father, is above, and the lake, the youngest daughter, is below. This shows the difference between high and low, upon which composure, correct social conduct, depends. On the other hand, the word for the name of the hexagram, TREADING, 1 means literally treading upon something. The small and cheerful [Tui] treads upon the large and strong [Ch'ien]. The direction of movement of the two primary trigrams is upward. The fact that the strong treads on the weak is not mentioned in the Book of Changes, because it is taken for granted. For the weak to take a stand against the strong is not dangerous here, because it happens in good humor [Tui] and without presumption, so that the strong man is not irritated but takes it all in good part.

## THE JUDGMENT

### TREADING.

*Treading upon the tail of the tiger.*

*It does not bite the man.*

*Success.*

*The situation is really difficult. That which is strongest and that which is weakest are close together. The weak follows behind the strong and worries it. The strong, however, acquiesces and does not hurt the weak, because the contact is in good humor and harmless.*

*In terms of a human situation, one is handling wild, intractable people. In such a case one's purpose will be achieved if one behaves with decorum. Pleasant manners succeed even with irritable people.*

## **2) THE ADVICE**

*Heaven above, the lake below: The image Of TREADING.*

*Thus the superior man discriminates between high and low,*

*And thereby fortifies the thinking of the people.*

*Heaven and the lake show a difference of elevation that inheres in the natures of the two, hence no envy arises. Among mankind also there are necessarily differences of elevation; it is impossible to bring about universal equality. But it is important that differences in social rank should not be arbitrary and unjust, for if this occurs, envy and class struggle are the inevitable consequences. If, on the other hand, external differences in rank correspond with differences in inner worth, and if inner worth forms the criterion of external rank, people acquiesce and order reigns in society.*

## **3) THE LINES:**

*Nine in the fourth place means:*

*He treads on the tail of the tiger.*

*Caution and circumspection*

*Lead ultimately to good fortune.*

*This text refers to a dangerous enterprise. The inner power to carry it through is there, but this inner power is combined with hesitating caution in one's external attitude. This line contrasts with the preceding line, which is weak within but outwardly presses forward. Here one is sure of ultimate success, which consists in achieving one's purpose, that is, in overcoming danger by going forward.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 50 – Ting - The Caldron*

*The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting, as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

*THE JUDGMENT*

*THE CALDRON.*

*Supreme good fortune.*

*Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

# Life Technologies Corporation LIFE under CEO Gregory T. Lucier

Gregory T. Lucier's Performance:	ROI= 62.67%	Annualized Return= 19.50%
SPY's Performance:	ROI= 39.84%	Annualized Return= 13.06%

Gregory T. Lucier has been CEO since November 2008. Since then, his performance has been positive as per the Supreme Good Fortune announced in his line.

## Points the investor should consider:

### **1) THE HEXAGRAM**

(See Above)

### **2) THE ADVICE**

(See Above)

### **3) THE LINES:**

Nine in the fourth place means:  
*He treads on the tail of the tiger.  
Caution and circumspection  
Lead ultimately to good fortune.*

*This text refers to a dangerous enterprise. The inner power to carry it through is there, but this inner power is combined with hesitating caution in one's external attitude. This line contrasts with the preceding line, which is weak within but outwardly presses forward. Here one is sure of ultimate success, which consists in achieving one's purpose, that is, in overcoming danger by going forward.*

0 Nine in the fifth place means:  
*Resolute conduct.  
Perseverance with awareness of danger.*

*This refers to the ruler of the hexagram as a whole. One sees that one has to be resolute in conduct. But at the same time one must remain conscious of the danger connected with such resoluteness, especially if it is to be persevered in. Only awareness of the danger makes success possible.*

Nine at the top means:  
*Look to your conduct and weigh the favorable signs.*

*When everything is fulfilled, supreme good fortune comes.*

*The work is ended. If we want to know whether good fortune will follow, we must look back upon our conduct and its consequences. If the effects are good, then good fortune is certain. No one knows himself. It is only by the consequences of his actions, by the fruit of his labors, that a man can judge what he is to expect.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 19 – Lin - Approach*

*The Chinese word Lin has a range of meanings that is not exhausted by any single word of another language. The ancient explanations in the Book of Changes give as its first meaning, "becoming great." What becomes great are the two strong lines growing into the hexagram from below; the light-giving power expands with them. The meaning is then further extended to include the concept of approach, especially the approach of what is strong and highly placed in relation to what is lower. Finally the meaning includes the attitude of condescension of a man in high position toward the people, and in general the setting to work on affairs. This hexagram is linked with the twelfth month (January-February), when, after the winter solstice, the light power begins to ascend again.*

#### *THE JUDGMENT*

*APPROACH has supreme success.  
Perseverance furthers.  
When the eighth month comes,  
There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next hexagram). We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

#### *THE IMAGE*

*The earth above the lake: The image of APPROACH.  
Thus the superior man is inexhaustible  
In his will to teach,  
And without limits  
In his tolerance and protection of the people.*

*The earth borders upon the lake from above 1. This symbolizes the approach and condescension of the man of higher position to those beneath him. The two parts of the image indicate what his attitude toward these people will be. Just as the lake is inexhaustible in depth, so the sage is inexhaustible in his readiness to teach mankind, and just as the earth is*

*boundlessly wide, sustaining and caring for all creatures on it, so the sage sustains and cares for all people and excludes no part of humanity.*

## **Baidu, Inc. BIDU under CEO Yanhong Li**

Yanhong Li's Performance: ROI= 1,971.09%    Annualized Return= 66.92%  
SPY's Performance:            ROI=        7.19%            Annualized Return=    1.18%

Yanhong Li has been CEO since January 2004. Since August 2005, his performance has been spectacular.

Because he has been CEO for close to a decade, we asked the Oracle about his future Time-Space. It is Treading. What is interesting here is that he has been Treading on the tail of two tigers: Google and the Chinese government. Both have been very tolerant but in particular, the Chinese government has been not only tolerant but also very protective of Baidu. When the strong (Heaven) not only tolerates but protects the weak (Lake), Good Fortune is the ultimate outcome.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(See Above)

#### **2) THE ADVICE**

(See Above)

#### **3) THE LINES:**

*Nine at the beginning means:*  
*Simple conduct.*  
*Progress without blame.*

*The situation is one in which we are still not bound by any obligations of social intercourse. If our conduct is simple, we remain free of them. We can quietly follow our predilections as long as we are content and make no demands on people.*

*The meaning of the hexagram is not standstill but progress. A man finds himself in an altogether inferior position at the start. However, he has the inner strength that guarantees progress. If he can be content with simplicity, he can make progress without blame. When a man is dissatisfied with modest circumstances, he is restless and ambitious and tries to*

*advance, not for the sake of accomplishing anything worthwhile, but merely in order to escape from lowliness and poverty by dint of his conduct. Once his purpose is achieved, he is certain to become arrogant and luxury-loving. Therefore blame attaches to his progress. On the other hand, a man who is good at his work is content to behave simply. He wishes to make progress in order to accomplish something. When he attains his goal, he does something worthwhile, and all is well.*

*Nine in the second place means:*

*Treading a smooth, level course.*

*The perseverance of a dark man(2)*

*Brings good fortune.*

*The situation of a lonely sage is indicated here. He remains withdrawn from the bustle of life, seeks nothing, asks nothing of anyone, and is not dazzled by enticing goals. He is true to himself and travels through life unassailed, on a level road. Since he is content and does not challenge fate, he remains free of entanglements.*

*Nine in the fourth place means:*

*He treads on the tail of the tiger.*

*Caution and circumspection*

*Lead ultimately to good fortune.*

*This text refers to a dangerous enterprise. The inner power to carry it through is there, but this inner power is combined with hesitating caution in one's external attitude. This line contrasts with the preceding line, which is weak within but outwardly presses forward. Here one is sure of ultimate success, which consists in achieving one's purpose, that is, in overcoming danger by going forward.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 20 – Kuan - Contemplation (View)*

*A slight variation of tonal stress gives the Chinese name for this hexagram a double meaning. It means both contemplating and being seen, in the sense of being an example. These ideas are suggested by the fact that the hexagram can be understood as picturing a type of tower characteristic of ancient China.*

*A tower of this kind commanded a wide view of the country; at the same time, when situated on a mountain, it became a landmark that could be seen for miles around. Thus the hexagram shows a ruler who contemplates the law of heaven above him and the ways of the people below, and who, by means of good government, sets a lofty example to the masses.*

*This hexagram is linked with the eighth month (September - October). The light-giving power retreats and the dark power is again on the increase. However, this aspect is not material in the interpretation of the hexagram as a whole.*

**THE JUDGMENT**

## CONTEMPLATION.

*The ablution has been made,  
But not yet the offering.  
Full of trust they look up to him.*

*The sacrificial ritual in China began with an ablution and a libation by which the Deity was invoked, after which the sacrifice was offered. The moment of time between these two ceremonies is the most sacred of all, the moment of deepest inner concentration. If piety is sincere and expressive of real faith, the contemplation of it has a transforming and awe-inspiring effect on those who witness it.*

*Thus also in nature a holy seriousness is to be seen in the fact that natural occurrences are uniformly subject to law. Contemplation of the divine meaning underlying the workings of the universe gives to the man who is called upon to influence others the means of producing like effects. This requires that power of inner concentration which religious contemplation develops in great men strong in faith. It enables them to apprehend the mysterious and divine laws of life, and by means of profoundest inner concentration they give expression to these laws in their own persons. Thus a hidden spiritual power emanates from them, influencing and dominating others without their being aware of how it happens.*

## THE IMAGE

*The wind blows over the earth: The image of CONTEMPLATION.  
Thus the kings of old visited the regions of the world,  
Contemplated the people,  
And gave them instruction.*

*When the wind blows over the earth it goes far and wide and the grass must bend to its power. These two occurrences find confirmation in the hexagram. The two images are used to symbolize a practice of the kings of old; in making regular journeys the ruler could, in the first place, survey his realm and make certain that none of the existing usages of the people escaped notice; in the second, he could exert influence through which such customs as were unsuitable could be changed.*

*All of this points to the power possessed by a superior personality. On the one hand, such a man will have a view of the real sentiments of the great mass of humanity and therefore cannot be deceived; on the other, he will impress the people so profoundly, by his mere existence and by the impact of his personality, that they will be swayed by him as the grass by the wind.*

## **Altera Corp. ALTR under CEO John P. Daane**

John P. Daane's Performance:	ROI= 72.18%	Annualized Return= 5.19%
SPY's Performance:	ROI= (0.69%)	Annualized Return= (0.06%)



John P. Daane has been CEO since November of 2000. Since then, his performance has been excellent.

Because he has been CEO for more than a decade, we asked the Oracle about his future performance. It is Treading and carries a warning: *Only awareness of the danger makes success possible.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(See Above)

### **2) THE ADVICE**

(See Above)

### **3) THE LINES:**

*0 Six in the third place means:*

*A one-eyed man is able to see,*

*A lame man is able to tread.*

*He treads on the tail of the tiger.*

*The tiger bites the man.*

*Misfortune.*

*Thus does a warrior act on behalf of his great prince.*

*A one-eyed man can indeed see, but not enough for clear vision. A lame man can indeed tread, but not enough to make progress. If in spite of such defects a man considers himself strong and consequently exposes himself to danger, he is inviting disaster, for he is undertaking something beyond his strength. This reckless way of plunging ahead, regardless of the adequacy of one's powers, can be justified only in the case of a warrior battling for his prince.*

*0 Nine in the fifth place means:*

*Resolute conduct.*

*Perseverance with awareness of danger.*

*This refers to the ruler of the hexagram as a whole. One sees that one has to be resolute in conduct. But at the same time one must remain conscious of the danger connected with such resoluteness, especially if it is to be persevered in. Only awareness of the danger makes success possible.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 14 - Ta Yu - Possession in Great Measure

*The fire in heaven above shines far, and all things stand out in the light and become, manifest. The weak fifth line occupies the place of honor, and all the strong lines are in accord with it.*

*All things come to the man who is modest and kind in a high position. 1*

#### **THE JUDGMENT**

**POSSESSION IN GREAT MEASURE.**

*Supreme success.*

*The two trigrams indicate that strength and clarity unite. Possession in great measure is determined by fate and accords with the time. How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty. The time is favorable - a time of strength within, clarity and culture without. Power is expressing itself in a graceful and controlled way. This brings supreme success and wealth. 2*

#### **THE IMAGE**

*Fire in heaven above: The image of POSSESSION IN GREAT MEASURE .*

*Thus the superior man curbs evil and furthers good,  
And thereby obeys the benevolent will of heaven.*

*The sun in heaven above, shedding light over everything on earth, is the image of possession on a grand scale. But a possession of this sort must be administered properly. The sun brings both evil and good into the light of day. Man must combat and curb the evil, and must favor and promote the good. Only in this way does he fulfill the benevolent will of God, who desires only good and not evil.*

# **11 PEACE**

## **MANAGERIAL ISSUE:**

The CEO – managing the corporate peace.

Hexagram 11 represents a time of Heaven sent peace and harmony within the corporation, a time for good relationships between the CEO and the employees. This gives way to prosperity for the corporation and thus everything is all right. When management and labor unite and when each contributes their best, the consumer benefits and the corporation profits. This is a time of Peace.

- The I Ching says: *“The individual lines enter the hexagram from below and leave it again at the top. Here the small, weak, and evil elements are about to take their departure, while the great, strong, and good elements are moving up. This brings good fortune and success.”*

This is the springtime for the industry also. A time for both: when corporations develop good relations with one another, as well as a time when the stronger corporations help the weaker ones. Most suits between the corporations within the industry are settled. The YANG or positive side of the corporation is in charge, thus even the YIN side will improve.

- The I Ching says: *“When the good elements of society occupy a central position and are in control, the evil elements come under their influence and change for the better. When the spirit of Heaven rules in man, his animal nature also comes under its influence and takes its appropriate place.”*

## **MANAGERIAL LESSON:**

The Superior CEO presides over this period of unprecedented harmony by the proper division of all things:

1. Dividing the tasks
2. Dividing the responsibilities,
3. Assigning tasks and responsibilities.
4. Establishing goals.
5. Establishing the timing and synchronicity for each task.
6. Measuring results.
7. Rewarding meritorious achievements.

The I Ching says: *“Heaven and Earth are in contact and combine their influences, producing a time of universal flowering and prosperity. This stream of energy must be regulated by the ruler of men. It is done by a process of division. Thus men divide the uniform flow of time into the seasons, according to the succession of natural phenomena, and mark off infinite space by the points of the compass. In this way nature in its overwhelming profusion of*

*phenomena is bounded and controlled. On the other hand, nature must be furthered in her productiveness. This is done by adjusting the products to the right time and the right place, which increases the natural yield. This controlling and furthering activity of man in his relation to nature is the work on nature that rewards him."*

The I Ching already hints that this CEO could be a great leader and perhaps a truly great CEO. He will be able to get management and employees to join together to give the corporation greater growth.

## **INVESTMENT ADVICE:**

For the investor, the Peace Time–Space is favorable. This is the proper time to invest in the corporation because the harmony of the corporation meets with both the harmony of the economy as well as with the harmony of the industry.

By itself (no lines), the Hexagram points to Good Fortune and Success:

*PEACE.*

*The small departs,*

*The great approaches.*

*Good fortune.*

*Success.*

*This hexagram denotes a time in nature when heaven seems to be on earth. Heaven has placed itself beneath the earth, and so their powers unite in deep harmony. Then peace and blessing descend upon all living things.*

*In the world of man it is a time of social harmony; those in high places show favor to the lowly, and the lowly and inferior in their turn are well disposed toward the highly placed. There is an end to all feuds.*

*Inside, at the center, in the key position, is the light principle; the dark principle is outside. Thus the light has a powerful influence, while the dark is submissive. In this way each receives its due. When the good elements of society occupy a central position and are in control, the evil elements come under their influence and change for the better. When the spirit of heaven rules in man, his animal nature also comes under its influence and takes its appropriate place.*

*The individual lines enter the hexagram from below and leave it again at the top. Here the small, weak, and evil elements are about to take their departure, while the great, strong, and good elements are moving up. This brings good fortune and success.*

Two of the six lines are excellent (the 1<sup>st</sup> is Good Fortune and the 5<sup>th</sup> is Supreme Good Fortune). The other are relatively positive which make this hexagram mostly positive.

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporate peace – bringing in the best professionals to join him to carry out his project.

**Managerial Lesson:** Be eliciting.

**Managerial Warning:** At the first stage of the Peace Time-Space, the CEO recognizes he cannot go at it alone if he wants to carry out a project even when Heaven is on his side.

**Managerial Advice:** The Superior CEO does his utmost to bring men of great knowledge and capacity to create a superior team. He knows they will come because they trust him. And their coming will allow the CEO to successfully carry out even the most difficult projects.

- The I Ching says: *"In times of prosperity every able man called to fill an office draws like-minded people along with him, 'just as in pulling up ribbon grass one always pulls up a bunch of it, because the stalks are connected by their roots. In such times, when it is possible to extend influence widely, the mind of an able man is set upon going out into life and accomplishing something."*

**Investment Advice:** Invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporate peace – being humble enough to improve poor human resources yet strong enough to carry out risky projects.

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the second stage of the Peace Time-Space, the CEO should look for the "middle way"

**Managerial Advice:** The Superior CEO applies four very important managerial lessons:

The I Ching says: *These are four ways in which one can overcome the hidden danger of a gradual slackening that always lurks in any time of peace. And that is how one finds the middle way for action:*

1. *Bearing with the uncultured in gentleness:* *In times of prosperity it is important above all to possess enough greatness of soul to bear with imperfect people. For in the hands of a great master no material is unproductive; he can find use for everything.*

2. Fording the river with resolution: But this generosity is by no means laxity or weakness. It is during times of prosperity especially that we must always be ready to risk even dangerous undertakings, such as the crossing of a river, if they are necessary.
3. Not neglecting what is distant, So too we must not neglect what is distant but must attend scrupulously to everything.
4. Not regarding one's companions: Even if people of like mind come forward together, they ought not to form a faction by holding together for mutual advantage; instead, each man should do his duty.

1. To be polite and diplomatic with everyone in the corporation.
2. To find the proper use for everything and everyone in the corporation - in a way this is one way to measure return on assets.
3. To be resolute in carrying out all decisions.
4. To plan all actions to the minimum detail, taking into consideration all the relevant elements from the most important to the least important. The devil is in the detail. And
5. To be fair and just at all times and thus make sure that the good is rewarded and the bad is punished.

These are four fundamental rules of a good manager. There is a strong possibility he might be able to successfully execute the right plans given the line says: *"Thus one may manage to walk in the middle."* He will be able to fulfill these four steps. In particular, he might have the strength to purge the corporation of the bad and lazy employees, who had been tolerated by the previous inept management

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporate peace – dealing with the inevitable return of the YIN.

**Managerial Lesson:** Be persevering.

**Managerial Warning:** At the third stage of the Peace Time-Space, the CEO must prepare for the disruption of the corporate peace, as the YIN forces will eventually and inevitably return. Initially the CEO was able to take out most of the bad apples left over from the previous management; unfortunately, this change was only temporary. The bad habits of the previous management are deeply rooted in the character of the corporation and they will return. So will the previous bad managers.

**Managerial Advice:** The Superior CEO is humble. He recognizes the inevitability of this natural law and accepts both success and failure as something material and temporary. He knows that real success is internal (within himself) and not external. This is part of a natural cycle like the waves. The Superior CEO is neither sad nor angry. He recognizes when nature's forces are at work and knows no CEO can avoid it. Profitability eventually gives way to losses. But regardless of the circumstances of the seasons, he knows he must remain persevering. Heaven always comes to the aid of the CEO who perseveres.

The line says: *“Enjoy the good fortune you still possess.”*

**Investment Advice:** Invest. Be ready to sell when the Yin Time-Space arrives.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporate peace – reaching out to meet the YIN side of the corporation/industry.

**Managerial Lesson:** Be accommodating.

**Managerial Warning:** At the fourth stage of the Peace Time-Space, the CEO recognizes that during the time of peace and prosperity he must avoid “social conflicts”

**Managerial Advice:** The Superior CEO reaches out to the YIN side of the corporation/industry, and he does it out of his own free will and out of principle. This is a clear situation of harmony in the corporation, yet success is not clear. The harmony of the corporation is due to the fact that the CEO has found a new spontaneous way to reach agreements with the YIN employees/competitors.

This can be seen in societies in general - they called it “spreading the wealth” to avoid “social unrest”. They called it socialism. The corporate world is no different from the political world even though there is a stronger element of merit involved.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The talented CEO – managing the corporate peace – matching high rank with low rank for the sake of success.

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the fifth stage of the Peace Time-Space, the CEO must face the risk of not executing a project if he fails to properly match the team that will execute the project.

**Managerial Advice:** The Superior CEO is balanced and therefore properly matches the team members. This could be:

- The more with the less experienced executives.
- The more with the less talented executives
- The higher with the lower ranking executives

Where the more experienced, the more talented and the higher ranking executives may have to listen and perhaps even follow the less experienced, the less talented and the lower ranking

executives. This act of humility creates the necessary environment for the achievement of great goals. For instance, today the younger executives are teaching the older ones the virtues of the social networks.

**Investment Advice:** Invest fully. (*Supreme Good Fortune*)

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporate peace - dealing with a worst case scenario, with a profit-to-loss change, a YANG to YIN change.

**Managerial Lesson:** Be stoical.

**Managerial Warning:** At the sixth stage of the Peace Time-Space, the CEO must face the change which will end the Peace, which will end the prosperity, which will mark the beginning of the YIN cycle.

**Managerial Advice:** The Superior CEO preserves the best of the corporation such as its best products and its best people and waits for a better opportunity. He knows this is not a time to overthrow the YIN forces that have taken over the corporation because such action would only bring more harm to whatever is left of the corporation. He knows this is a time to accept stoically the changes for the worst. This is a serious situation, but unfortunately the corporation has been poorly managed for many years. The YIN forces are coming back and the collapse or bankruptcy is inevitable even though the CEO has done all that is humanly possible to save it. The Superior CEO knows it is not wise to throw good money after bad money.

**Investment Advice:** Do not invest.



## **12 - STANDSTILL (STAGNATION)**

### **MANAGERIAL ISSUE:**

The CEO – managing his corporation during periods of stagnation.

Hexagram 12 describes a period of stagnation or weakening of the corporation brought about by the return of the inferior managers and their evil managerial practices. This creates a situation where there is a wall between the Superior CEO that is still followed by a few remaining superior executives and the newly arriving evil forces. The corporation suffers because there is a lack of:

- Communication.
- Positive relations.
- Sharing of ideas.
- Trust.
- Rewards based on merit.
- Growth.

This is autumn time for the corporation. The previous CEO has brought his corporation to its highest point in productivity and the price of the stock already reflects it. Nevertheless, it is at this very moment that a fight will begin for the leadership position within the corporation. This time around, however, a new inferior CEO and his incompetent followers will win. This is unfortunate because they, in turn, will implement their own corrupt practices and drive away the competent ones from their managerial positions. This creates a situation of internal conflict in which the few superior managers left behind in the corporation are forced to obey the newly implemented bad managerial practices.

This is a matter of nature's seasonality and the Superior CEO must accept it as such. This Hexagram is the opposite of Hexagram 11.

### **MANAGERIAL LESSON:**

The I Ching advises those few superior managers left to:

- 1) Hang in there, to hold on to their principles rather than to allow themselves to be bought by salary increases or bonuses,
- 2) Avoid participating openly in the managerial directives of the inferior managers who presently control the corporation.
- 3) Obey the present evil management as much as possible without betraying their convictions.
- 4) Wait with aloofness until the times change and the superior managers return together with the prosperity.

## INVESTMENT ADVICE:

This is the Hexagram of Steven Jobs from the time he was driven out of Apple until his inevitable return. He was always Apple's true CEO.

- 1) In the first line – Jobs is driven out of Apple. He takes a few talented managers with him. Heaven tells him he has nothing to fear, thus the Oracle says:
  - *“Perseverance brings good fortune and success.*
- 2) In the second line – those Apple employees who stayed behind are forced to “bear and endure” the arrogance of the false CEOs. Jobs position is that of the great man:
  - *The great man calmly bears the consequences of the standstill.*
  - *He does not mingle with the crowd of the inferior; that is not his place.*
  - *He insures the success of his fundamental principles by his willingness to suffer personally.*
- 3) In the third line: the false CEOs and the managers who ran Apple during Jobs absence “bear shame”:
  - *Inferior people who have risen to power illegitimately do not feel equal to the responsibility they have taken upon themselves.*
  - *In their hearts they begin to be ashamed, although at first they do not show it outwardly.*
- 4) In the fourth line: the tide turns. Heaven forces Jobs' return.
  - *The man who is truly called to the task is favored by the conditions of the time, and*
  - *All those of like mind will share in his blessing.*
- 5) In the fifth line: Jobs is asked to run Apple. He is successful because he follows Confucius advice:
  - *Danger arises when a man feels secure in his position.*
  - *Destruction threatens when a man seeks to preserve his worldly estate.*
  - *Confusion develops when a man has put everything in order.*

*Therefore the superior man does not forget*

  - *Danger in his security, nor*
  - *Ruin when he is well established, nor*
  - *Confusion when his affairs are in order.*

*In this way he*

  - *Gains personal safety and*
  - *Is able to protect the empire.*
- 6) In the sixth line: Jobs turns Apple around ending the period of the Standstill thanks to his obsessive and relentless creative drive.
  - *The time of disintegration, however, does not change back automatically to a condition of peace and prosperity;*
  - *Effort must be put forth in order to end it.*
  - *This shows the **creative attitude** that man must take if the world is to be put in order.*

## Merrill Lynch

In another more present-time example, this Hexagram represents Merrill Lynch's employees when Merrill's Board of Directors mistakenly elected Stan O'Neal as CEO. He did two things: fired the most competent executives whom he knew were better than him, and surrounded himself with yes men. He needed yes men to carry out the most wildly ambitious projects such as leveraging the corporation in a ratio of 30:1 by buying so called (by Standard & Poor's) AAA CDOs. He fired all the honest executives who questioned his judgment. The only ones left behind were the professional flatterers, those who brown nosed him to death. The good executives who managed to survive did so because of their proper attitude - waiting for the better CEO to return (perhaps Win Smith, who according to the Oracle would have made a great CEO) and doing so with certain aloofness. They maintained their principles until better times.

For the investor, the Standstill is in general an unfavorable Time-Space to invest.

By itself (no lines), the Hexagram points to the need for perseverance while the Superior CEO returns to his proper place:

### *STANDSTILL.*

*Evil people do not further*

*The perseverance of the superior man.*

*The great departs the small approaches.*

*Heaven and earth are out of communion and all things are benumbed. What is above has no relation to what is below, and on earth confusion and disorder prevail. The dark power within, the light power is without. Weakness is within, harshness without. Within are the inferior, and without are the superior. The way of inferior people is in ascent; the way of superior people is on the decline. But the superior people do not allow themselves to be turned from their principles. If the possibility of exerting influence is closed to them, they nevertheless remain faithful to their principles and withdraw into seclusion.*

Four out of the six lines are positive for investing but they require perseverance until the true CEO appears. Few investors can wait that long.

The following example is of a corporation under the Standstill Time-Space:

- **eBay Inc. EBAY under CEO John Donahoe**

## **THE LINES:**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation - retiring from the leadership position and taking the best managers with him.

**Managerial Lesson:** Be protective.

**Managerial Warning:** At the first stage of the Standstill Time-Space, the superior managers are leaving the corporation while the inferior ones are displacing them. However, the superior managers are taking the rest of the team of the other superior managers with them.

**Managerial Advice:** The Superior CEO retires gracefully from the leadership position to avoid disgrace. When the Superior CEO's advice is no longer heard, it is time for him to retire with dignity for a better occasion. This is the opposite of the first line in Hexagram 11 where the CEO was attracting talented managers to his cause. In this case the Superior CEO is retiring from the leadership position and taking the talented executives with him.

**Investment Advice:** Invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation - dealing with a recently appointed wrong CEO from a powerless position.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the second stage of the Standstill Time-Space, the worst employees have been left behind. They gladly follow and flatter the inferior CEO and his newly appointed managers in spite of the fact they know them to be incompetent. Ironically, these same incompetent employees would rather follow the Superior CEO and his managers if they were to return to take over control of the corporation because deep within their hearts they know what is best for them.

**Managerial Advice:** The Superior CEO:

- Remains unperturbed during the times of the Standstill.
- Remains retired from the leadership position.
- Avoids falling into any trap of the recently appointed inferior CEO.
- Remains distant from the inferior CEO and his followers.
- Plans for the future when the more favorable times return.
- Upholds his principles to help accelerate the days of his return.

**Investment Advice:** Do not invest. Look for better alternatives.

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation - waiting patiently for the inferior CEO's policies to fail.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the third stage of the Standstill Time-Space, the corporation's Board of Directors as well as its shareholders realized that the inferior CEO and his management are harming the corporation. Even the inferior managers themselves have come to the realization that they cannot manage the corporation. They recognize they took control of the corporation without having the necessary merits to do so and their incompetence is beginning to show. This public acknowledgment from the part of the inferior managers is positive because it marks the beginning of the end of the period of stagnation.

**Managerial Advice:** The Superior CEO waits patiently.

**Investment Advice:** Do not invest. Keep an eye on the corporation.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation – The turning point - preparing for the change from stagnation to growth and prosperity.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the fourth stage of the Standstill Time-Space, the Board of Directors and its shareholders are calling on the true CEO to return and bring back order. The I Ching warns the true CEO to look deep within his soul and honestly ask if he is up to the challenge. He will be successful only if he truly believes he has the inner strength to face the challenge.

**Managerial Advice:** The Superior CEO:

- Prepares for his return,
- Prepares for the coming change from losses to profits.
- Asks the BOD for the necessary authority to carry out the task at hand.

On his return, the Superior CEO will surely restore back to their well-deserved positions those good employees who stayed behind in the corporation waiting for him. The fact that the superior managers have been called to return is what will give them a great prestige. There is also a positive note in that this turnaround is Heaven sent and as such provides an excellent environment for the new CEO.

**Investment Advice:** Do not invest. Keep an eye on this corporation.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation - taking charge of the corporation and facing the risks all changes imply.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the fifth stage of the Standstill Time-Space, the CEO must keep in mind at all times the possibility of failure. (This by the way is the question Ray Dalio asks all the time)

The CEO should repeatedly ask: "*What if it should fail, what if it should fall?*"

**Managerial Advice:** The Superior CEO:

- Realizes the risk all changes carry, including the possibility he might fail. Much of his success will depend on such realization because it will force him to keep a proper humble attitude and that is the basis for success. Every change of command contains a moment of conflict in which the inferior managers are not going to give up easily.
- Cuts the head of the leaders of the inferior managers in a single move so that the rest of the inferior managers will join the true CEO. Thus in a single move he will cut off evil.

*Confucius says about this line:*

- *Danger arises*
  - *when a man feels secure in his position.*
- *Destruction threatens*
  - *when a man seeks to preserve his worldly estate.*
- *Confusion develops*
  - *when a man has put everything in order.*

*Therefore*

- *the superior man*
  - *does not forget*
    - *danger in his security, nor*
    - *ruin when he is well established, nor*
    - *confusion when his affairs are in order.*
- *In this way*
- *he*
  - *gains personal safety and*
  - *is able to protect the empire.*

**Investment Advice:** Invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The true CEO – managing his corporation during periods of stagnation – first turning the corporation around and second keeping it profitable.

**Managerial Lesson:** Be creative.

**Managerial Warning:** At the sixth stage of the Standstill Time-Space, the I Ching warns the CEO that just as the Peace period (Hexagram 11) does not last forever, the Stagnation period (Hexagram 12) does not last forever either. After managing a period of stagnation, comes one of the hardest periods to manage - the period of growth. The Superior CEO will turn his corporation around and succeed in making it profitable; however, this requires of a substantial managerial effort. In other words, when the corporation is at his best moment (for instance, Peace - Hexagram 11), then it is when it tends to break down by itself and without much effort. Nevertheless, when it is broken down (for instance, Standstill - Hexagram 12), it takes a tremendous effort to bring it back to its best condition. It is easy for a corporation in YANG to move to YIN, but it is very hard for corporation in YIN to move to YANG. Such move requires effort and the involvement of a Superior CEO.

**Managerial Advice:** The Superior CEO prepares for a challenge greater than just turning the corporation around. He must prepare for the challenge of keeping it profitable. Only the right CEO can accomplish this.

**Investment Advice:** Invest. Realize this is a long-term investment. Prepare for volatility.

## **MANAGERIAL CASES**

### **eBay Inc. EBAY under CEO John Donahoe**

John Donahoe's Performance:	ROI= 29.36%	Annualized Return= 7.86%
SPY's Performance:	ROI= 0.39%	Annualized Return= 0.12%

John Donahoe has been CEO since March 2008. His performance has been better than the SPY's as indicated by the first line of the hexagram. According to the I Ching, he will run into difficulties as per the third line, but eventually, according to the nine at the top he will do well. The question is if eBay is in the hands of the true CEO or if Meg Whitman should return to eBay as the true CEO.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 12 - P'i - Standstill (Stagnation)*

*This hexagram is the opposite of the preceding one. Heaven is above, drawing farther and farther away, while the earth below sinks farther into the depths. The creative powers are not in relation. It is a time of standstill and decline. This hexagram is linked with the seventh month (August-September), when the year has passed its zenith and autumnal decay is setting in.*

## THE JUDGMENT

### STANDSTILL.

*Evil people do not further  
The perseverance of the superior man.  
The great departs the small approaches.*

*Heaven and earth are out of communion and all things are benumbed. What is above has no relation to what is below, and on earth confusion and disorder prevail. The dark power within, the light power is without. Weakness is within, harshness without. Within are the inferior, and without are the superior. The way of inferior people is in ascent; the way of superior people is on the decline. But the superior people do not allow themselves to be turned from their principles. If the possibility of exerting influence is closed to them, they nevertheless remain faithful to their principles and withdraw into seclusion.*

## **2) THE ADVICE**

*Heaven and earth do not unite: The image Of STANDSTILL.  
Thus the superior man falls back upon his inner worth In order to escape the difficulties.  
He does not permit himself to be honored with revenue.*

*When, owing to the influence of inferior men, mutual mistrust prevails in public life, fruitful activity is rendered impossible, because the fundamentals are wrong. Therefore the superior man knows what he must do under such circumstances; he does not allow himself to be tempted by dazzling offers to take part in public activities. This would only expose him to danger, since he cannot assent to the meanness of the others. He therefore hides his worth and withdraws into seclusion.*

## **3) THE LINES:**

### Six at the beginning means:

*When ribbon grass is pulled up, the sod comes with it.  
Each according to his kind.  
Perseverance brings good fortune and success.*

*The text is almost the same as that of the first line of the preceding hexagram, but with a contrary meaning. In the latter a man is drawing another along with him on the road to an official career; here a man is drawing another with him into retirement from public life. This is why the text says here, "Perseverance brings good fortune and success" and not "Undertakings bring good fortune." If it becomes impossible to make our influence count, it is only by retirement that we spare ourselves humiliation. Success in a higher sense can be ours, because we know how to safeguard the value of our personalities.*

### Six in the third place means:

*They bear shame.*



*Inferior people who have risen to power illegitimately do not feel equal to the responsibility they have taken upon themselves. In their hearts they begin to be ashamed, although at first they do not show it outwardly. This marks a turn for the better.*

*Nine at the top means:*

*The standstill comes to an end.*

*First standstill, then good fortune.*

*The standstill does not last forever. However, it does not cease of its own accord; the right man is needed to end it. This is the difference between a state of peace and a state of stagnation. Continuous effort is necessary to maintain peace: left to itself it would change into stagnation and disintegration. The time of disintegration, however, does not change back automatically to a condition of peace and prosperity; effort must be put forth in order to end it. This shows the creative attitude that man must take if the world is to be put in order.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 49 – Ko – Revolution (Molting)*

*The Chinese character for this hexagram means in its original sense an animal's pelt, which is changed in the course of the year by molting. From this the word is carried over to apply to the "molting" in political life, the great revolutions connected with changes of governments. The two trigram making up the hexagram are the same two that appear in K'uei, OPPOSITION (38), that is, the two younger daughters, Li and Tui. But while there the elder of the two daughters is above, and what results is essentially only an opposition of tendencies, here the younger daughter is above. The influences are in actual conflict, and the forces combat each other like fire and water (lake), each trying to destroy the other. Hence the idea of revolution.*

*THE JUDGMENT*

*REVOLUTION*

*On your own day*

*You are believed.*

*Supreme success,*

*Furthering through perseverance.*

*Remorse disappears.*

*Political revolutions are extremely grave matters. They should be undertaken only under stress of direst necessity, when there is no way out. Not everyone is called to this task, but only the man who has the confidence of the people, and even he only when the time is ripe. He must then proceed in the right way, so that he gladdens the people and, by enlightening them, prevents excesses. Furthermore, he must be quite free of selfish aims and must really relieve the need of the people. Only then does he have nothing to regret.*

*Times change, and with them their demands. Thus the seasons change in the course of the year. In the world cycle also there are spring and autumn in the life of peoples and nations, and these call for social transformations.*

### *THE IMAGE*

*Fire in the lake: the image of REVOLUTION.  
Thus the superior man  
Sets the calendar in order  
And makes the seasons clear.*

*Fire below and the lake above combat and destroy each other. So too in the course of the year a combat takes place between the forces of light and the forces of darkness, eventuating in the revolution of the seasons. Man masters these changes in nature by noting their regularity and marking off the passage of time accordingly. In this way order and clarity appear in the apparently chaotic changes of the seasons, and man is able to adjust himself in advance to the demands of the different times.*

## **13 FELLOWSHIP WITH MEN**

### **MANAGERIAL ISSUE:**

The CEO – managing the employees' fellowship with each other, and the corporation's fellowship with its subsidiaries/competitors.

Hexagram 13 describes a time of transition from an initial period of trust which gave way to friendship, partnership or merger amongst the managers, subsidiaries and corporations to a period of mistrust. Only the unifying spirit of an enlightened CEO can make this period of fellowship with men come about.

### **MANAGERIAL LESSON:**

With regards to the vision, the Superior CEO:

- 1) Establishes a goal for the interest and benefit of mankind (this will create fellowship or unity amongst the employees/subsidiaries/corporations).
  - a. The goal must have three qualities. It must be:
    - Clear
    - Convincing
    - Inspiring
  - b. The CEO must possess the inner strength to make the goals come to completion.

With regards to the attitude, the Superior CEO:

- 1) Creates the necessary environment for all employees/subsidiaries/corporations to come together. Such environment must be one of cooperation or community among each other, especially when each one is so strong and aggressive.
- 2) Is soft spoken and easy going – he is the easy going leader amongst so many strong ones.
- 3) Seeks to unite opposing managers based on what they have in common rather than on what makes them different.
- 4) Covers the general needs of the corporation rather than covering the needs of the managers.

With regards to the corporation, the Superior CEO:

- 1) Restructures and organizes the corporation in such a way as to ensure there will be:
  - a. Unity within and diversification without
  - b. Cohesion and order,
- 2) Delegates properly the responsibilities to the other stronger managers.
- 3) Prepares and communicates a very coherent plan.
- 4) Transmits enthusiasm to the rest of the management.

The I Ching says: *“True fellowship among men must be based upon a concern that is universal. It is not the private interests of the individual that create lasting fellowship among men, but rather the goals of humanity. That is why it is said that fellowship with men in the open succeeds. If unity of this kind prevails, even difficult and dangerous tasks, such as crossing the great water, can be accomplished. But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed a man with clear, convincing, and inspiring aims and the strength to carry them out” ...“Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship. If fellowship is to lead to order, there must be organization within diversity.”*

## **INVESTMENT ADVICE:**

This is the Hexagram of AT&T and NCR. AT&T's CEO Robert Allen had failed miserably in his attempts to venture into the computer industry. In 1991, he mounted a hostile takeover of NCR for \$ 7 billion. His idea was to merge a global telecommunication company with a computer company.

The I Ching said about that merger:

- *True fellowship among men must be based upon a concern that is universal.*

NCR had nothing in common with AT&T and therefore no concern that was universal.

- *But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out.*

Robert Allen was not an enlightened leader and had none of the requisites the I Ching demands from an enlightened leader.

- *Just as the luminaries in the sky serve for the systematic division and arrangement of time, so human society and all things that really belong together must be organically arranged.*

These two companies did not really belong together and could not be organically arranged.

- Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship.

Robert Allen was mingling. He was not creating fellowship. This is evidenced by the following lines of the Time-Space created at the AT&T-NCR union.

0 Six in the second place means:

*Fellowship with men in the clan.*

*Humiliation.*

*There is danger here of formation of a separate faction on the basis of personal and egotistic interests. Such factions, which are exclusive and, instead of welcoming all men, must condemn one group in order to unite the others, originate from low motives and therefore lead in the course of time to humiliation.*

The I Ching warned the CEO these two corporations would never merge. They would always be separate because they had separate cultures. The CEO of AT&T would be forced to choose between the two when it came to offering support. There was no doubt he would always choose AT&T in any dispute with any subsidiary. Thus NCR employees felt as second citizens. The Oracle also warned the CEO in the end he would be humiliated.

Nine in the third place means:

*He hides weapons in the thicket;*

*He climbs the high hill in front of it.*

*For three years he does not rise up.*

*Here fellowship has changed about to mistrust. Each man distrusts the other, plans a secret ambush, and seeks to spy on his fellow from afar. We are dealing with an obstinate opponent whom we cannot come at by this method. Obstacles standing in the way of fellowship with others are shown here. One has mental reservations for one's own part and seeks to take his opponent by surprise. This very fact makes one mistrustful, suspecting the same wiles in his opponent and trying to ferret them out. The result is that one departs further and further from true fellowship. The longer this goes on, the more alienated one becomes.*

NCR's employees hated the AT&T's employees and in particular it's CEO. Mental reservations always kept the two groups apart.

The I Ching, as always, was right. AT&T's hostile takeover of NCR ended up in a tremendous failure costing the shareholders of AT&T dearly. Almost five years later, in 1996, AT&T was forced to sell NCR for \$1 billion after having paid originally \$7 billion in 1991.

Had Robert Allen made a simple consultation of the I Ching, he would have saved the shareholders of AT&T \$6 billion and himself the humiliation the I Ching had warned him about in 1991.

This no doubt was the case of the employees of Citibank hating the aggressive nature of the employees of Smith Barney. And this no doubt is the case of the employees of UBS hating the guts of the employees of Paine Webber.

Let us repeat the mantra for those CEOs who are about to attempt taking over another corporation:

The I Ching says:

- True fellowship among men must be based upon a concern that is universal.
- But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out.
- Just as the luminaries in the sky serve for the systematic division and arrangement of time, so human society and all things that really belong together must be organically arranged.
- Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship.

For the investor, the Fellowship with Men tends to be a positive Time-Space to invest.

By itself (no lines), the Hexagram points to success provided the CEO bases the fellowship on things that are common to all men or of a universal nature.

*FELLOWSHIP WITH MEN in the open.*

*Success.*

*It furthers one to cross the great water.*

*The perseverance of the superior man furthers.*

*True fellowship among men must be based upon a concern that is universal. It is not the private interests of the individual that create lasting fellowship among men, but rather the goals of humanity. That is why it is said. that fellowship with men in the open succeeds. If unity of this kind prevails, even difficult and dangerous tasks, such as crossing the great water, can be accomplished. But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out. (The inner trigram means clarity; the outer, strength.)*

The lines are relatively positive (with one pointing to Good Fortune in the 4<sup>th</sup> place.) which makes this hexagram mostly positive.

The following examples are those of corporations under the Fellowship of Men Time-Space

- **Ctrip.com International Ltd. CTRP under CEO Min Fan**
- **Warner Chilcott plc WCRX under CEO Roger Boissonneault**
- **Lam Research Corporation LRCX under CEO Stephen Newberry**

## **THE LINES:**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the fellowship with men - his first efforts to bring together the opposing parties (employees/subsidiaries/corporations).

**Managerial Lesson:** Be open.

**Managerial Warning:** At the first stage of the Fellowship with Men Time-Space, the CEO must recognize his corporation is about to enter a tumultuous period. Perhaps the employees/subsidiaries/corporations do not feel they are treated equally and they will begin to go their separate ways looking for individual goals and eventually conspire against each other. Such lack of harmony might be caused by a failure to disclose any secret understandings between the employees/subsidiaries/corporations.

**Managerial Advice:** The Superior CEO makes sure every employee/subsidiary/corporation feels has easy access to his leader. He is always open about any agreements. He leaves hidden nothing that might create mistrust, particularly in the beginning of this Time-Space. Unfortunately, even though in the beginning the employees/subsidiaries/corporations experience a period of harmony, this might not last.

**Investment Advice:** Do not invest.

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the fellowship with men – failing at it.

**Managerial Lesson:** Be unselfish.

**Managerial Warning:** At the second stage of the Fellowship with Men Time-Space, the CEO as well as the managers are selfish and end up creating internal dissension and separatism amongst the employees/subsidiaries/corporations. Both the CEO and the managers are interested in their personal furthering rather than in the general good of the corporation. Their selfishness makes them unable to be impartial – making them choose one side and discriminate against another. This will only end in the CEO's as well as the managers' failure and a serious damage to the corporation. Based on their selfishness and lack of high ideals, they should consider failure as inevitable.

**Managerial Advice:** The Superior CEO unites others based on high ideals.

**Investment Advice:** Do not invest.

## **NINE IN THIRD PLACE**

**Managerial Issue:** The CEO – managing the fellowship with men – dealing with the managers' right out hostility for each other.

**Managerial Lesson:** Be trustful.

**Managerial Warning:** At the third stage of the Fellowship with Men Time-Space, the CEO:

- Will face a period of transition from a feeling of trust to a strong feeling of mistrust among the employees/subsidiaries/corporations. All groups are dedicated to spying, creating mistrust

and trying to isolate the enemy's camp. Some have already split between warring groups to gain power and control over each other rather than trying to reach together one common goal. Furthermore, one of these groups has already prepared a trap on what it considers its enemy. However, this will not succeed because its "enemy" is stronger and practically immune to this type of tactics. Such strength will force the group to retreat until a better opportunity arises to take its enemy by surprise.

- Must prepare for the worst moment in relations amongst his managers. This is the end of fellowship. This is inevitable and will put the CEO's patience to the test.

**Managerial Advice:** The Superior CEO knows mistrust breeds mistrust. Under such Time-Space conditions, he can only show others the proper conduct. Be trustful.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the fellowship with men – bringing warring groups together.

**Managerial Lesson:** Be conciliatory.

**Managerial Warning:** At the fourth stage of the Fellowship with Men Time-Space, the CEO faces another period of transition but this time around is the opposite - from a feeling of mistrust to a feeling of trust among the employees/subsidiaries/corporations. The various camps that were created because of the feelings of mistrust are about to join forces again; however, not because they are thinking of the ultimate good of the shareholders, but rather because of two reasons:

- Both camps have measured each other up and have realized that it is impossible to destroy each other, and
- Both camps are facing external enemies with much greater forces than theirs.

This lack of disunion creates a certain degree of prosperity, but lack of disunion is not the same as union and no reason to invest.

**Managerial Advice:** The Superior CEO is conciliatory. His main goal is to make the warring managers realize their destruction is inevitable if they continue with their scheming.

**Investment Advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the fellowship with men – helping two friendly groups in their merger attempts.

**Managerial Lesson:** Be supportive.



**Managerial Warning;** At the fifth stage of the Fellowship with Men Time-Space, the CEO faces a situation where there are two employees/subsidiaries/corporations groups among the various camps which coincide with each other's goals. However, they have not come together because they hold different ranks within the employees/subsidiaries/corporations. In spite of the hostile climate created by all these camps, these two employees/subsidiaries/corporations have been in mutual agreement with each other for a while.

**Managerial Advice:** The Superior CEO supports all attempts to reconcile and in particular promote the merger of these two employees/subsidiaries/corporations even though this reconciliation will be difficult and take time. He knows that as long as both interested parties remain true to their common vision, they will be successful in joining together in common fellowship.

**Confucius says of this:**

- *Life*
  - *leads the thoughtful man on a path of many windings.*

*Now*

- *the course*
  - *is checked,*

*now*

- *it*
  - *runs straight again.*

*Here*

- *winged thoughts*
  - *may pour freely forth in words,*
- *the heavy burden of knowledge*
  - *must be shut away in silence.*

*But when*

- *two people*
  - *are at one in their inmost hearts,*
- *they*
  - *shatter even the strength of iron or of bronze.*

*And when*

- *two people*
  - *understand each other in their inmost hearts,*
- *their words*
  - *are sweet and strong, like the fragrance of orchids.*

**Investment Advice:** Invest.

## NINE IN THE SIXTH PLACE

**Managerial Issue:** The CEO – managing the fellowship with men – failing to get the warring employees/subsidiaries/corporations to cooperate, but leaving the door open for a future encounter.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the sixth stage of the Fellowship with Men Time-Space, the CEO must accept there is no understanding between the employees/subsidiaries/corporations, neither in mind nor in spirit. Nevertheless, some type of union or partnership will be set up but only with that part which has more affinity for each other and leaving out other parts. This divisive attitude is not positive for the corporation. The best managers are about to leave the corporation or industry, and even though there is no major immediate loss for the corporation, this condition can not last.

**Managerial Advice:** The Superior CEO will enable this fellowship between the employees/subsidiaries/corporations even though their final goals will not be reached.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Ctrip.com International Ltd. CTRP under CEO Min Fan**

Min Fan's Performance:	ROI= 467.38%	Annualized Return= 36.55%
SPY's Performance:	ROI= 0.29%	Annualized Return= 0.09%

Min Fan has been CEO since January 2006. Since then, his performance has been substantially better than that of the SPY's. His performance is supported by the fourth line.

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAMA 13 - T'ung Jen - Fellowship with Men*

*The image of the upper trigram Ch'ien is heaven, and that of the lower, Li, is flame. It is the nature of fire to flame up to heaven. This gives the idea of fellowship. It is the second line that, by virtue of its central character, unites the five strong lines around it. This hexagram forms a complement to Shih, THE ARMY (7). In the latter, danger is within and obedience without - the character of a warlike army, which, in order to hold together, needs one strong man among the*

*many who are weak. Here, clarity is within and strength without - the character of a peaceful union of men, which, in order to hold together, needs one yielding nature among many firm persons.*

## **THE JUDGMENT**

*FELLOWSHIP WITH MEN in the open.*

*Success.*

*It furthers one to cross the great water.*

*The perseverance of the superior man furthers.*

*True fellowship among men must be based upon a concern that is universal. It is not the private interests of the individual that create lasting fellowship among men, but rather the goals of humanity. That is why it is said that fellowship with men in the open succeeds. If unity of this kind prevails, even difficult and dangerous tasks, such as crossing the great water, can be accomplished. But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out. (The inner trigram means clarity; the outer, strength.)*

## **2) THE ADVICE**

*Heaven together with fire: The image of FELLOWSHIP WITH MEN.*

*Thus the superior man organizes the clans*

*And makes distinctions between things.*

*Heaven has the same direction of movement as fire, yet it is different from fire. Just as the luminaries in the sky serve for the systematic division and arrangement of time, so human society and all things that really belong together must be organically arranged. Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship. If fellowship is to lead to order, there must be organization within diversity.*

## **3) THE LINES:**

*Nine in the fourth place means:*

*He climbs up on his wall; he cannot attack.*

*Good fortune.*

*Here the reconciliation that follows quarrel moves nearer. It is true that there are still dividing walls on which we stand confronting one another. But the difficulties are too great. We get into straits, and this brings us to our senses. We cannot fight, and therein lies our good fortune.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 37 - Chia Jen - The Family (The Clan)*

*This hexagram represents the laws obtaining within the family. The strong line at the top represents the father, the lowest the son. The strong, line in the fifth place represents the husband, the yielding second line the wife. On the other hand, the two strong lines in the fifth and the third place represent two brothers, and the two weak lines correlated with them in the fourth and the second place stand for their respective wives. Thus all the connections and relationships within the family find their appropriate expression. Each individual line has the character according with its place. The fact that a strong line occupies the sixth place -where a weak line might be expected - indicates very clearly the strong leadership that must come from the head of the family. The line is to be considered here not in its quality as the sixth but in its quality as the top line. THE FAMILY shows the laws operative within the household that, transferred to outside life, keep the state and the world in order. The influence that goes out from within the family is represented by the symbol of the wind created by fire.*

## THE JUDGMENT

### THE FAMILY

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.*

*Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.*

## THE IMAGE

*Wind comes forth from fire: The image Of THE FAMILY.*

*Thus the superior man has substance in his words*

*And duration in his way of life.*

*Heat creates energy: this is signified by the wind stirred up by the fire and issuing forth from it. This represents influence working from within outward. The same thing is needed in the regulation of the family. Here too the influence on others must proceed from one's own person. In order to be capable of producing such an influence, one's words must have power, and this they can have only if they are based on something real, just as flame depends on its fuel. Words have influence only when they are pertinent and clearly related to definite circumstances.*

*General discourses and admonitions have no effect whatsoever. Furthermore, the words must be supported by one's entire conduct, just as the wind is made effective by its duration. Only firm and consistent conduct will make such an impression on others that they can adapt and conform to it. If words and conduct are not in accord and not consistent, they will have no effect.*

## **Warner Chilcott plc WCRX under CEO Roger Boissonneault**

Roger Boissonneault's Performance:	ROI= 54.45%	Annualized Return= 9.54%
SPY's Performance:	ROI= (6.22%)	Annualized Return= (1.34%)

Roger Boissonneault has been CEO since January 2005. Since then, his performance has been much better compared to the SPY in spite of the negative line in the third place. We will continue to monitor his performance and see how well he manages a condition where fellowship has changed about to mistrust.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above)

#### **2) THE ADVICE**

(Same as Above)

#### **3) THE LINES:**

*Nine in the third place means:*

*He hides weapons in the thicket;*

*He climbs the high hill in front of it.*

*For three years he does not rise up.*

*Here fellowship has changed about to mistrust. Each man distrusts the other, plans a secret ambush, and seeks to spy on his fellow from afar. We are dealing with an obstinate opponent whom we cannot come at by this method. Obstacles standing in the way of fellowship with others are shown here. One has mental reservations for one's own part and seeks to take his opponent by surprise. This very fact makes one mistrustful, suspecting the same wiles in his*

opponent and trying to ferret them out. The result is that one departs further and further from true fellowship. The longer this goes on, the more alienated one becomes.

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 25 - Wu Wang - Innocence (The Unexpected)

Ch'ien, heaven, is above; Chen, movement, is below. The lower trigram Chen is under the influence of the strong line it has received from above, from heaven. When, in accord with this, movement follows the law of heaven, man is innocent and without guile. His mind is natural and true, unshadowed by reflection or ulterior designs. For wherever conscious purpose is to be seen, there the truth and innocence of nature have been lost. Nature that is not directed by the spirit is not true but degenerate nature. Starting out with the idea of the natural, the train of thought in part goes somewhat further and thus the hexagram includes also the idea of the unintentional or unexpected.

#### THE JUDGMENT

INNOCENCE. Supreme success.  
Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.

Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.

Confucius says about this:

"He who departs from innocence, what does he come to? Heaven's will and blessing do not go with his deeds."

#### THE IMAGE

Under heaven thunder rolls: All things attain the natural state of innocence.  
Thus the kings of old, rich in virtue, and in harmony with the time,  
Fostered and nourished all beings.

In springtime when thunder, life energy, begins to move again under the heavens, everything sprouts and grows, and all beings receive from the creative activity of nature the childlike innocence of their original state. So it is with the good rulers of mankind: drawing on the spiritual wealth at their command, they take care of all forms of life and all forms of culture and do everything to further them, and at the proper time.

# Lam Research Corporation LRCX under CEO Stephen Newberry

Stephen Newberry's Performance: ROI= 41.21%      Annualized Return= 5.75%  
SPY's Performance:                      ROI= 8.52%                      Annualized Return= 1.33%

Stephen Newberry has been CEO since June 2005. Since then, his performance has been much better compared to the SPY in spite of the negative line in the third place. We will continue to monitor his performance and see how well he manages a condition where fellowship has changed about to mistrust.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the third place means:*

*He hides weapons in the thicket;*

*He climbs the high hill in front of it.*

*For three years he does not rise up.*

*Here fellowship has changed about to mistrust. Each man distrusts the other, plans a secret ambush, and seeks to spy on his fellow from afar. We are dealing with an obstinate opponent whom we cannot come at by this method. Obstacles standing in the way of fellowship with others are shown here. One has mental reservations for one's own part and seeks to take his opponent by surprise. This very fact makes one mistrustful, suspecting the same wiles in his opponent and trying to ferret them out. The result is that one departs further and further from true fellowship. The longer this goes on, the more alienated one becomes.*

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*Ch'ien, heaven, is above; Chen, movement, is below. The lower trigram Chen is under the influence of the strong line it has received from above, from heaven. When, in accord with this,*

*movement follows the law of heaven, man is innocent and without guile. His mind is natural and true, unshadowed by reflection or ulterior designs. For wherever conscious purpose is to be seen, there the truth and innocence of nature have been lost. Nature that is not directed by the spirit is not true but degenerate nature. Starting out with the idea of the natural, the train of thought in part goes somewhat further and thus the hexagram includes also the idea of the unintentional or unexpected.*

## THE JUDGMENT

*INNOCENCE. Supreme success.  
Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.*

*Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.*

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*In springtime when thunder, life energy, begins to move again under the heavens, everything sprouts and grows, and all beings receive from the creative activity of nature the childlike innocence of their original state. So it is with the good rulers of mankind: drawing on the spiritual wealth at their command, they take care of all forms of life and all forms of culture and do everything to further them, and at the proper time.*



# **14 POSSESSION IN GREAT MEASURE**

## **MANAGERIAL ISSUE:**

The CEO – managing under the possession of great qualities.

Hexagram 14 describes a CEO who rises to the highest position, in spite of the fact he is perceived as the “weakest” of the managers. Weakness is not meant to represent weakness in character but rather an easy going misdemeanor compared with all the Prima Donnas that surround him. He represents the union of Strength and Clarity as well as the expression of unselfish modesty.

The CEO’s qualities are his abilities as a leader:

1. Inner strength.
2. In depth knowledge of men to graciously lead them.
3. In depth knowledge of the business.
4. Humility,
5. Good disposition,
6. Clear vision.
7. Communication skills.

All of his fellow managers willingly follow him because they:

- Recognize and appreciate his qualities, and
- Feel he is the chosen one for these times. Heaven grants it to him.
  - The I Ching says: *“All things come to the man who is modest and kind in a high position.”*

## **MANAGERIAL LESSON:**

The CEO’s clear vision comes from his ability to manage with justice and transparency, punishing the poor performers (quickly and without any animosity) and rewarding the good ones (longer and with good feelings). He keeps merit as his north and thus never goes wrong. This is one of the greatest managerial lessons - whoever rewards merit and punishes evil will go far. Even the weakest of the managers can manage a great corporation made up of great managers if he is humble and keeps merit as his north. The more capable and knowledgeable managers will return the appreciation and back his policies. This is an ideal situation for both the CEO and the corporation. If we add this to the fact this corporation has a great culture, then we clearly have the elements for success.

The I Ching defines the essence of management in three simple sentences:

- *The sun brings both evil and good into the light of day.*

- *Man must combat and curb the evil, and must favor and promote the good.*
- *Only in this way does he (the Superior CEO) fulfill the benevolent will of God, who desires only good and not evil.*

Hexagram 14 Possession in Great Measure brings Lincoln easily to mind as well as Eisenhower surrounded by Patton, McArthur ET all. But when it comes to management applied to business, perhaps the ideal example would be that of Andrew Carnegie, the creator of Bethlehem Steel, He used to say that his formula for success was basically his ability to surround himself with men more capable than himself, and his ability to make them work for him. His formula included in-depth knowledge of men, a clear vision, a great deal of humility, good character and generosity in rewarding talent and merit.

- The I Ching says: *“How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty”*

## **INVESTMENT ADVICE:**

For the investor, the Possession in Great Measure is in general a favorable Time-Space to invest.

By itself (no lines) the Hexagram is excellent because the CEO is humble and because it is Heaven sent.

*POSSESSION IN GREAT MEASURE.  
Supreme success.*

*The two trigrams indicate that strength and clarity unite. Possession in great measure is determined by fate and accords with the time. How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty. The time is favorable - a time of strength within, clarity and culture without. Power is expressing itself in a graceful and controlled way. This brings supreme success and wealth.*

Ironically, even though Hexagram 14 represents a positive Time-Space to invest; however, there are only two instances where there is a clear possibility for positive returns.

The following examples are those of corporations under the Possession in great measure Time-Space:

- **Caterpillar Inc. CAT under CEO Douglas R. Oberhelman**
- **Xilinx Inc. XLNX under CEO Moshe N. Gavrielov**

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing under the possession of great assets/qualities - at the start of his mandate – getting a break from his opponents for his mistakes.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the first stage of the Possession in Great Measure Time-Space, the CEO possesses excellent qualities but, nevertheless, is only beginning his work and his skills have not been put to the test. It is still too early to be attacked by other managers or to make mistakes. Nevertheless, the final result will be positive because the CEO is humble and searches for the truth with the only purpose of improving his corporation.

**Managerial Advice:** The Superior CEO is:

- Mistrustful of establishing any alliance/merger that might harm the corporation,
- Aware at all times of his lack of experience. He knows this feeling will force him to be humble, and it is humility what keeps a CEO from making mistakes.
- Efficient in allocating the corporate resources.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing under the possession of great assets/qualities – delegating tasks to his best managers.

**Managerial Lesson:** Be encouraging.

**Managerial Warning:** At the second stage of the Possession in Great Measure Time-Space, the CEO is liable to make mistakes in reaching his goals should he fail to have the following:

- Abundant assets: Inventories/solid balance sheet/financials.
- Strong demand for its products,
- Capacity to deploy them quickly (both the assets and the products).

In a way this is similar to the Toyota Production System known as Just-in-Time.

**Managerial Advice:** The Superior CEO executes his projects even though they might be ambitious and varied. In this particular case, his corporation meets the requirements mentioned above and has plenty of executive talent. This allows the CEO to delegate the various responsibilities with complete confidence. All this, added to the CEO's humility, clear objectives and fervent desire to reward merits, ensures this CEO will reach his goals

**Investment Advice:** Do not invest

## **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing under the possession of great qualities – putting the corporate assets to the service of the consumer/world.

**Managerial Lesson:** Be generous - share.

**Managerial Warning:** At the third stage of the Possession in Great Measure Time-Space, the CEO risks damaging the corporation should he fail to implement an open architecture.

**Managerial Advice:** The Superior CEO follows three basic managerial lessons (the corporation's profitability is a result of his ability to follow these rules properly):

1. He views the corporation as a provider of goods and services for the well-being of society.
2. He views the corporation as an instrument for the common good and not his own private property. In this way, he will:
  - Expand his investment horizon and think in terms of the next 200 years rather than in the next 10 years before his retirement,
  - Be humble and selfless rather than arrogant and selfish.
3. He realizes that:
  - A corporation that thinks and acts for the well-being of humanity, will develop products for the well-being of the community and will therefore need very little marketing effort, while
  - A corporation that only acts in terms of profitability rather than the common good will develops harmful products and requires massive marketing efforts to sell those products (Phillips Morris's cigarettes).

All discoveries, all products and its respective developments must be placed to the service of society. Creativity must be open that others may add to it.

What is the use of finding the cure for a disease if the pharmaceutical corporation will only sell it to a chosen few?

What is the use of creating a product if the corporation will only produce it in a single particular way and not grant licenses for others to manufacture it in more attractive ways?

This is the line of Ford and its refusal to produce a great variety of cars (only the T Model and black), the line of Sony and its refusal to share its Betamax technology, the line of Apple and its refusal to grant licenses agreements to other computer manufacturers.

Every time a corporation refuses to share its knowledge, someone else will encroach on its property rights.

This reminds us of IBM's concept: the corporation that shares its power, will keep it.

Unfortunately in this case, the CEO might not follow the I Ching's advice and the results will be negative.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing under the possession of great qualities – keeping away from aggressive and harmful fellow CEOs.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the fourth stage of the Possession in Great Measure Time-Space, the CEO must recognize his fellow CEOs will pursue selfish goals harmful to the industry.

**Managerial Advice:** The Superior CEO is prudent. He knows he must keep himself away from selfish goals and must take no part in their fellow CEO's scheming. He is neither influenced by the wrong perceptions of his fellow CEOs nor joins them in any mergers or ventures.

Even though he keeps apart from such selfish goals, his fellow CEOs might very well damage the industry's image.

**Investment advice:** Do not invest. Look for better alternatives.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing under the possession of great qualities – gaining followers with his humility.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fifth stage of the Possession in Great Measure Time-Space, the CEO's corporation is going through a very favorable financial condition. By showing honest appreciation to the employees and the clients, the CEO has created a general positive attitude toward the corporation. The corporation's favorable financial conditions reflect this positive attitude. However, the I Ching warns the CEO that there is a danger this positive attitude might turn into a negative attitude where employees and clients will feel contempt for this corporation.

**Managerial Advice:** The Superior CEO maintains his sincerity at all times. He knows that in this alone depends his success. The CEO's sincerity translates into a policy of justice: punishing poor performance and rewarding only merit. This policy will bring about excellent results for the corporation. The other managers will support his policies because of his rectitude. Even though it is natural for his enemies to belittle his achievements, nevertheless, he will know how to handle them with humility and justice.

**Investment Advice:** Invest.

## NINE IN THE SIXTH PLACE

**Managerial Issue:** The CEO – managing under the possession of great qualities – keeping humble in victory, rewarding the merits of those who deserve it.

**Managerial Lesson:** Be humble/generous.

**Managerial Warning:** At the sixth stage of the Possession in Great Measure Time-Space, the corporation has the mandate of Heaven and possession of great assets/qualities. Under such favorable conditions, the corporation can accomplish anything it sets out to do. The mandate of Heaven alone has turned the corporation into a very profitable one. The I Ching warns the CEO, such Heaven sent accomplishments demand humility.

**Managerial Advice:** The Superior CEO is humble in victory and shares his merits and rewards with his employees. This is one of the most difficult things for anyone to do but by keeping humble, the CEO bows to the will of Heaven. This action will in turn bestow upon the CEO even more honors and merits. Thus the CEO meets some of Confucius basic rules for success:

- *if you want the backing of society,*
  - *think in the common good and not on your own good,*
- *if you want the backing of your followers,*
  - *be truthful and fair when it comes to rewarding them for their merits,*
- *if you want the backing of your superiors*
  - *do honor on to them.*

Then, everything will point to success.

- The I Ching says: *Confucius says of this line: “Heaven helps the man who is devoted; men help the man who is true. He who walks in truth and is devoted in his thinking-, and furthermore reveres the worthy, is blessed by Heaven. He has good fortune, and there is nothing that would not further.”*

**Investment advice:** Invest.

## MANAGERIAL CASES

### **Caterpillar Inc. CAT under CEO Douglas R. Oberhelman**

D. Oberhelman's Performance:	ROI= 46.82%	Annualized Return= 28.91%
SPY's Performance:	ROI= 18.11%	Annualized Return= 11.63%

Douglas R. Oberhelman has been CEO of caterpillar since January 2001. Since then, his performance has been better than that of the SPY's. His performance is supported by the fifth line.

However, because he has been CEO for over a decade, we asked the Oracle once more about his future Time-Space: it its Possession in Great Measure.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 14 - Ta Yu - Possession in Great Measure*

*The fire in heaven above shines far, and all things stand out in the light and become, manifest. The weak fifth line occupies the place of honor, and all the strong lines are in accord with it. All things come to the man who is modest and kind in a high position. 1*

*THE JUDGMENT*

*POSSESSION IN GREAT MEASURE.*

*Supreme success.*

*The two trigrams indicate that strength and clarity unite. Possession in great measure is determined by fate and accords with the time. How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty. The time is favorable - a time of strength within, clarity and culture without. Power is expressing itself in a graceful and controlled way. This brings supreme success and wealth. 2*

### **2) THE ADVICE**

*Fire in heaven above: The image of POSSESSION IN GREAT MEASURE .*

*Thus the superior man curbs evil and furthers good,  
And thereby obeys the benevolent will of heaven.*

*The sun in heaven above, shedding light over everything on earth, is the image of possession on a grand scale. But a possession of this sort must be administered properly. The sun brings both evil and good into the light of day. Man must combat and curb the evil, and must favor and promote the good. Only in this way does he fulfill the benevolent will of God, who desires only good and not evil.*

### **3) THE LINES:**

*Nine in the second place means:*

*A big wagon for loading.*

*One may undertake something.*

*No blame.*

*Great possession consists not only in the quantity of goods at one's disposal, but, first and foremost, in their mobility and utility, for then they can be used in undertakings, and we remain free of embarrassment and mistakes. The big wagon, which will carry a heavy load and in*

*which one can journey far, means that there are at hand able helpers who give their support and are equal to their task. One can load great responsibility upon such persons, and this is necessary in important undertakings.*

*Nine in the fourth place means:*

*He makes a difference  
Between himself and his neighbor.  
No blame.*

*This characterizes the position of a man placed among rich and powerful neighbors. It is a dangerous position. He must look neither to the right nor to the left, and must shun envy and the temptation to vie with others. In this way he remains free of mistakes. 4*

*0 Six in the fifth place means:*

*He whose truth is accessible, yet dignified,  
Has good fortune.*

*The situation is very favorable. People are being won not by coercion but by unaffected sincerity, so that they are attached to us in sincerity and truth. However, benevolence alone is not sufficient at the time of POSSESSION IN GREAT MEASURE. For insolence might begin to spread. Insolence must be kept in bounds by dignity; then good fortune is assured.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 37 - Chia Jen - The Family (The Clan)*

*This hexagram represents the laws obtaining within the family. The strong line at the top represents the father, the lowest the son. The strong, line in the fifth place represents the husband, the yielding second line the wife. On the other hand, the two strong lines in the fifth and the third place represent two brothers, and the two weak lines correlated with them in the fourth and the second place stand for their respective wives. Thus all the connections and relationships within the family find their appropriate expression. Each individual line has the character according with its place. The fact that a strong line occupies the sixth place -where a weak line might be expected - indicates very clearly the strong leadership that must come from the head of the family. The line is to be considered here not in its quality as the sixth but in its quality as the top line. THE FAMILY shows the laws operative within the household that, transferred to outside life, keep the state and the world in order. The influence that goes out from within the family is represented by the symbol of the wind created by fire.*

*THE JUDGMENT*

*THE FAMILY*

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second*



line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.

Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.

## THE IMAGE

*Wind comes forth from fire: The image Of THE FAMILY.  
Thus the superior man has substance in his words  
And duration in his way of life.*

*Heat creates energy: this is signified by the wind stirred up by the fire and issuing forth from it. This represents influence working from within outward. The same thing is needed in the regulation of the family. Here too the influence on others must proceed from one's own person. In order to be capable of producing such an influence, one's words must have power, and this they can have only if they are based on something real, just as flame depends on its fuel. Words have influence only when they are pertinent and clearly related to definite circumstances. General discourses and admonitions have no effect whatsoever. Furthermore, the words must be supported by one's entire conduct, just as the wind is made effective by its duration. Only firm and consistent conduct will make such an impression on others that they can adapt and conform to it. If words and conduct are not in accord and not consistent, they will have no effect.*

## **Xilinx Inc. XLNX under CEO Moshe N. Gavrielov**

Moshe Gavrielov's Performance:	ROI= 61.63%	Annualized Return= 14.41%
SPY's Performance:	ROI= (8.63%)	Annualized Return= (2.50%)

Moshe N. Gavrielov has been CEO since January 2008. Since then, his performance has been better than that of the SPY's. His performance should prove to be better as he has two very positive lines.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the fourth place means:*

*He makes a difference  
Between himself and his neighbor.  
No blame.*

*This characterizes the position of a man placed among rich and powerful neighbors. It is a dangerous position. He must look neither to the right nor to the left, and must shun envy and the temptation to vie with others. In this way he remains free of mistakes. 4*

*0 Six in the fifth place means:*

*He whose truth is accessible, yet dignified,  
Has good fortune.*

*The situation is very favorable. People are being won not by coercion but by unaffected sincerity, so that they are attached to us in sincerity and truth. However, benevolence alone is not sufficient at the time of POSSESSION IN GREAT MEASURE. For insolence might begin to spread. Insolence must be kept in bounds by dignity; then good fortune is assured.*

*Nine at the top means:*

*He is blessed by heaven.  
Good fortune.  
Nothing that does not further.*

*In the fullness of possession and at the height of power, one remains modest and gives honor to the sage who stands outside the affairs of the world. By this means one puts oneself under the beneficent influence descending from heaven, and all goes well.*

*Confucius says of this line:*

*To bless means to help. Heaven helps the man who is devoted; men help the man who is true. He who walks in truth and is devoted in his thinking, and furthermore reveres the worthy, is blessed by heaven. He has good fortune, and there is nothing that would not further.*

#### 4) THE MOVING HEXAGRAM

##### HEXAGRAM 05 – Hsu - Waiting (Nourishment)

*All beings have need of nourishment from above. But the gift of food comes in its own time, and for this one must wait. This hexagram shows the clouds in the heavens, giving rain to refresh all that grows and to provide mankind with food and drink. The rain will come in its own time. We cannot make it come; we have to wait for it. The idea of waiting is further suggested by the attributes of the two trigrams - strength within, danger in front. 2 Strength in the face of danger does not plunge ahead but bides its time, whereas weakness in the face of danger grows agitated and has not the patience to wait.*

##### THE JUDGMENT

*WAITING. If you are sincere,  
You have light and success.  
Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

##### THE IMAGE

*Clouds rise up to heaven: The image of WAITING.  
Thus the superior man eats and drinks,  
Is joyous and of good cheer.*

*When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready.*

## 15 MODESTY

### MANAGERIAL ISSUE:

The CEO – managing with modesty or humility - The key to success.

Hexagram 15 focuses on humility as the key to success. The CEO acquires humility by accepting and obeying the Will of Heaven rather than his own. By realizing that everything in the Universe is cyclical, always moving from a Yin to a Yang cycle. That when one is living during the 7 fat cows period is when one must not gloat but rather be modest and accept the fact that eventually one will be living under the 7 thin cows period. That when one is experiencing the boom, one must prepare for the crash. Modesty demands that when living in Yang, one must prepare for Yin.

Empires, countries, institutions, corporations and individuals all go through Yin to Yang cycles from birth to death. Some examples are Pen Central, Pan Am and IBM. These corporations have gone or have already completed many cycles and have finally disappeared or are going through their cycles.

- The I Ching says: *“when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also”.*

As an extension of this law, the tendency of the Universe is to look for balance or equilibrium. That is, to take away from those who have much and give it to those who have little, as well as to bring down those who are on top and raise those who are at the bottom. This is especially true when those who have little and those who are at the bottom, are humble of heart.

- The I Ching says: *“It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.”*

All tax systems follow this law by taking from him who has much and giving to him who has little. Perhaps one of the ways to avoid the inevitability of this law and or at least to mitigate its effects is to donate voluntarily part of our earnings, thus giving away before it is taken away. Bill Gates and Warren Buffett are following this law. They are returning to society their massive wealth by donating it to foundations dedicated to the well-being of humanity.

Richard Wilhelm says: *“This hexagram offers a number of parallels to the teachings of the Old and the New Testament, e.g., “And whosoever shall exalt himself shall be abased; and he that shall humble himself shall be exalted” [Matt. 23:121; “Every valley shall be exalted, and every mountain and hill shall be made low: and the crooked shall be made straight, and the rough places plain” [Isa. 40 : 41; “God resisteth the proud, but giveth grace unto the humble” [Jas. 4: 6].”*

## **MANAGERIAL LESSON:**

### The Superior CEO:

1. Remains modest when successful so that the corporation's competitors may never experience hatred but rather respect and admiration for it.
2. Realizes his success is a result of Heaven's blessing as well as his correct attitude. He cannot shape Heaven's Will but he can correct his attitude. He can choose to remain modest. Heaven and men despise the classic arrogant, conceited, and boastful CEO. Any corporation, which has behaved as a good citizen and made contributions to its community during the good times, will have their community's moral support during the bad ones. Goizueta's Coca Cola and the devotion Atlanta feels for Coca Cola come to mind.
3. Balances power by taking away from those managers/divisions/subsidiaries that have too much power and delegating it to those that have little, especially to those with plenty of merits. Such policy is wise, as it will not allow power to accumulate in the hands of a single entity. In this way, the CEO avoids centers of power, as well as powerful enemies, and obtains the gratitude of the other managers. This is what Jeff Immelt of GE should have done but failed to do with GE Capital well before the crash of 2008. And this is what Warren Buffet does so successfully – takes away from cash rich insurance companies and gives to undervalued corporations managed by what he considers are humble CEOs.
4. Allows no one to know how powerful and successful his corporation has become. In this way he will attract neither ambitious competitors nor the wrath of Heaven.
5. Allows all competitors to believe success was easy. Hide any information that might reveal how hard and how long they had to work to accomplish their goals.

## **INVESTMENT ADVICE:**

Richard Wilhelm tells us that out of the 64 Hexagrams, this is the only one in which all lines are favorable (to invest).

- Wilhelm says: *“There are not many hexagrams in the Book of Changes in which all the lines have an exclusively favorable meaning, as in the hexagram of modesty. This shows how great a value Chinese wisdom places on this virtue.”*

The TAO, he tells us, recognizes that Modesty is one of the greatest virtues in man (CEO) and recognizes that success will come only to those who practice Modesty.

The wizards of the investment world such as Buffet, Templeton and Soros, have always been known for their modesty.

We should note that the law of cycles is also reflected in the stock prices. When the price of a stock is too high or too YANG (market value is greater than book value), and the market realizes this, the market will begin to sell it off. Or, on the other hand, when the price of the stock is too

low or too YIN (market value is below book value), and the market realizes this, it will begin to buy it.

Applied to the world of investing, this is the Hexagram of Warren Buffett as an asset allocator when he takes liquidity from the cash rich insurance companies to invest it in undervalued stocks.

- Warren Buffett says quoting Ben Graham; “*In the short run, the market is a voting machine. In the long run, it's a weighing machine.*”
- The I Ching says: “*Thus the superior man reduces that which is too much, and augments that which is too little. He **weighs** things and makes them equal*”.

This of course is the essence of a good Long – Short Hedge Fund manager.

For the investor, the Modesty is in general a favorable Time-Space to invest.

By itself (no lines) the Hexagram is positive because humility always is the way of the Superior CEO.

*MODESTY creates success.*

*The superior man carries things through.*

*It is the law of heaven to make fullness empty and to make full what is modest; when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting, and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also. It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.*

*The destinies of men are subject to immutable laws that must fulfill themselves. But man has it in his power to shape his fate, according as his behavior exposes him to the influence of benevolent or of destructive forces. When a man holds a high position and is nevertheless modest, he shines with the light of wisdom; if he is in a lowly position and is modest, he cannot be passed by. Thus the superior man can carry out his work to the end without boasting of what he has achieved.*

Almost all the lines are positive for investing, particularly the lines in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> places.

The following examples are those of corporations under the MODESTY Time-Space:

- **Boeing Co. BA under CEO W. James McNerney**
- **priceline.com Incorporated PCLN under CEO Jeffery H. Boyd**
- **Seattle Genetics Inc. SGEN under CEO Clay B. Siegall**

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing with humility – to avoid resistance.

**Managerial Lesson:** Be unassuming.

**Managerial Warning:** At the first stage of the Modesty Time-Space, the I Ching warns the CEO planning is good and necessary but a minute detailed plan is not Modesty but arrogance. The US Marines are right: quick, forceful and determined execution even with little planning (humility) is more important than excessive minute detailed planning with weak execution (arrogance).

**Managerial Advice:** The Superior CEO:

- Establishes the goals and objectives (the what) but emphasizes the action plan (the how). This would appear to go against the common belief that focusing on the goal, writing it and becoming committed to it is the key to success. The goal might appear necessary as a reference point but a simple action plan and its execution seem much more important. After all, the devil is the detail but not in the absolute detail.
- Keeps it simple – action plans should be kept simple. Complexity that places too many demands on details will bog down the executives and create resistance.
- Is humble when executing any task, not matter how difficult this might be or how much resistance he might encounter. If a CEO claims victory before executing his plan, he will find opposition from Heaven as well as from men.
- Makes the action plan known to all in the corporation and gives all the necessary orders for its proper execution, but without engaging in self-praise for the success he will supposedly obtain. In this way he creates neither envy nor hatred nor opposition for that matter.

**Investment Advice:** Invest

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing with humility – modestly expressing enthusiasm in victory.

**Managerial Lesson:** Be down to earth expressive.

**Managerial Warning:** At the second stage of the Modesty Time-Space, the I Ching warns the CEO neither to hyperbole nor to be flamboyant at times of triumph.

**Managerial Advice:** The Superior CEO, who has successfully reached his objectives, shows it humbly. That is: by the way he speaks, by the way he dresses, and by the way he behaves generally in public. It is acceptable to allow his managers and competitors to see his joy and enthusiasm. In this way he will transmit his modest enthusiasm onto others and turn his

success into something everlasting. This does not imply self-praise expressed in many outward forms, but simply showing his happiness verbally and physically. This goes against the common belief that the CEO must have a sour face even in the moments of triumph. Humbly expressing a winning attitude will create more success – success begets success.

This applies to both the CEO and the corporation. A flamboyant corporation will continue to outreach its own capacity in projects extremely complex that have nothing to do with its main purpose. GE Capital (and GM Capital and all the others XX Capitals of the world such as Porsche's) were created to finance the purchase of their products not to become Hedge Funds. Those CEOs who “expressed” the corporate triumph by turning them into Hedge Funds were responsible for the massive losses these “Hedge Funds” incurred.

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing with humility - handling his own fame.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Modesty Time-Space, the I Ching warns the CEO: a successful and famous CEO who does not know how to handle his fame will come to believe that he and he alone is responsible for all the corporation's achievements and that he and he alone is worthy of all the merits. All he will get is the contempt and hatred of all his fellow employees and lose his leadership position.

**Managerial Advice:** The Superior CEO, when successful, is humble in handling his own fame so that he will have the full backing of his fellow workers and the admiration of his competitors in the industry. Humility will also create a great following among his executives, all of whom would want to work for him. By having the admiration of men of merit, he ensures that he and his corporation remain on top.

When a CEO's face appears on the covers of the mayor magazines such as Fortune Magazine is when the CEO's true humility will be put to the test.

**Investment Advice:** Invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing with humility – handling false modesty.

**Managerial Lesson:** Be measured.

**Managerial Warning:** At the fourth stage of the Modesty Time-Space, the I Ching warns the CEO humility like any other virtue has its limits and is applicable to the CEO as well as to all the executives/employees in all the positions within the corporate hierarchy. Those who hide



behind false modesty either to over exercise their functions (managers) or to avoid them altogether (workers) should be fired.

**Managerial Advice:** The Superior CEO is humble both in delegating responsibilities and in recognizing the merits of his executives/employees.

- The CEO's executives must recognize their limits and be humble in exercising their power granted to them.
- The CEO's workers in turn must recognize their limits and be humble in recognizing their own merits; that is, an employee should not be rewarded for a job well done because this is the reason they get paid for. Rewards are reserved for the "Above and Beyond"

This is one of the great secrets of the Japanese companies. Humility must be seen as the way of the corporation and not as an exception, and he who has merits but lacks humility should work in special jobs but must never have employees under his charge.

The CEO who is not humble lacks emotional intelligence. He will not be able to keep any initiative under control, will look to protect his job by working only by an operations manual, will not accept authority, and will find his job greater than his emotional abilities.

**Investment Advice:** Invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing with humility – exercising modesty even when moving aggressively.

**Managerial Lesson:** Be objective.

**Managerial Warning:** At the fifth stage of the Modesty Time-Space, the I Ching warns the CEO modesty must also be exercised even in aggressive moves such as when launching a hostile takeover campaign against a competitor or in applying punishments and rewards.

**Managerial Advice:** The Superior CEO does not think that being humble implies not moving aggressively against his competitors or not severely punishing wrong doers. Not to act when needed is not humility but weakness. However, when moving aggressively, the Superior CEO knows he must:

- Be very sure that he is justifiably moving against the proper corporation or punishing the guilty party.
- Be well measured in his movement so that it may be neither too little nor too much. In this way the punishment becomes something very objective and not something personal.
- Be modest yet energetic, determined, and deliberate.

**Investment Advice:** Invest

## SIX IN THE SIXTH PLACE

**Managerial Issue:** The CEO – managing with humility – modestly applying justice to himself and his own.

**Managerial Lesson:** Be self-disciplined.

**Managerial Warning:** At the sixth stage of the Modesty Time-Space, the I Ching warns the CEO humility also demands self-punishment when making mistakes.

**Managerial Advice:** The Superior CEO punishes himself for his mistakes. This would require humility and a strong will to:

- Accept the blame for his mistakes. This should not be confused with self-indulgent pity.
- Avoid blaming someone else for his mistakes.
- Stay engaged – modesty does not consist in isolating oneself to avoid facing the blame. That would be false modesty.
- Apply punishment justly and fairly to himself as well as to his inner circle. He who can conquer himself can certainly conquer others. And he who imposes upon himself the necessary discipline may apply it to the others.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### **Boeing Co. BA under CEO W. James McNerney**

W. J. McNerney's Performance:	ROI= 10.91%	Annualized Return= 1.73%
SPY's Performance:	ROI= 4.07%	Annualized Return= 0.66%

W. James McNerney has been CEO since July 2005. Since then, his performance has been better than that of the SPY's. His performance is supported by two positive lines.

Jack Welch may have been considered a Superior CEO (he had talent but he also had the Mandate of Heaven), but he made a terrible mistake when he chose Immelt as the CEO for General Electric. He should have chosen James McNerney rather than forcing him out after choosing Immelt. Welch used all the information available to pick the next CEO except he never took into consideration the future Time-Space or outcome that would have resulted in choosing each of these two managers. Only the I Ching would have shown him the future Time-Space of General Electric. Choosing Immelt created a negative Time-Space for General Electric as the results have shown:

Jeffrey R. Immelt's Performance:	ROI= (52.62%)	Annualized Return= (7.29%)
SPY's Performance:	ROI= 22.01%	Annualized Return= 2.04%

Jeffrey R. Immelt has been CEO since 2001. Since then his performance has been extremely poor for such a large conglomerate. His poor performance comes from his lack of Modesty as evidenced by the fact that when he became CEO of GE, he failed to execute one of the Universe's basic law:

- The I Ching says: *"It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest."*

Everyone knows GE's main problem was caused by one of its divisions - GE Capital. What Bernanke said about AIG comes to mind: *"This was a hedge fund, basically, that was attached to a large and stable insurance company."* Some would say that GE was a Hedge Fund that was attached to a large stable industrial conglomerate. Immelt cannot escape the responsibility of having sufficient time (from 2001 to 2008) to rebalance the corporation's portfolio, to reduce its dependence on GE Capital's income (over 50% of total corporate income) and reduce GE Capital's management excessive power. GE Capital has so much power that GE's CEO sits on the Board of Directors of the New York Fed. Is he a banker or is he a manufacturer? Does he know what he is?

Even though all analysts will laugh at the possibility a three thousand (five thousand?) year old Oracle can predict the future for the CEOs and investors, those who are still invested in General Electric should seriously consider selling the stock until the Board of Directors changes Immelt for someone who would create a better Time-Space for the future of General Electric, particularly if you look at the Line in the 6<sup>th</sup> place.

## **Points the investor should consider: (James McNerney)**

### **1) THE HEXAGRAM**

*HEXAGRAM 15 - Ch'ien - Modesty*

*This hexagram is made up of the trigrams Ken, Keeping Still, mountain, and K'un. The mountain is the youngest son of the Creative, the representative of heaven on earth. It dispenses the blessings of heaven, the clouds and rain that gather round its summit, and thereafter shines forth radiant with heavenly light. This shows what modesty is and how it functions in great and strong men. K'un, the earth, stands above. Lowliness is a quality of the earth: this is the very reason why it appears in this hexagram as exalted, by being placed above the mountain. This shows how modesty functions in lowly, simple people: they are lifted up by it.*

*THE JUDGEMENT*

*MODESTY creates success.*

*The superior man carries things through.*

*It is the law of heaven to make fullness empty and to make full what is modest; when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting, and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also. It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.*

*The destinies of men are subject to immutable laws that must fulfill themselves. But man has it in his power to shape his fate, according as his behavior exposes him to the influence of benevolent or of destructive forces. When a man holds a high position and is nevertheless modest, he shines with the light of wisdom; if he is in a lowly position and is modest, he cannot be passed by. Thus the superior man can carry out his work to the end without boasting of what he has achieved.*

## **2) THE ADVICE**

*Within the earth, a mountain: The image Of MODESTY.  
Thus the superior man reduces that which is too much,  
And augments that which is too little.  
He weighs things and makes them equal.*

*The wealth of the earth in which a mountain is hidden is not visible to the eye, because the depths are offset by the height of the mountain. Thus high and low complement each other, and the result is the plain. Here an effect that it took a long time to achieve, but that in the end seems easy of accomplishment and self-evident, is used as the image of modesty. The superior man does the same thing when he establishes order in the world; he equalizes the extremes that are the source of social discontent and thereby creates just and equitable conditions. 1*

## **3) THE LINES:**

*Six in the second place means:*  
*Modesty that comes to expression.  
Perseverance brings good fortune.*

*"Out of the fullness of the heart the mouth speaketh." When a man's attitude of mind is so modest that this expresses itself in his outward behavior, it is a source of good fortune to him. For the possibility of exerting a lasting influence arises of itself, and no one can interfere.*

*Six in the fourth place means:*  
*Nothing that would not further modesty In movement.*

*Everything has its proper measure. Even modesty in behavior can be carried too far. Here, however, it is appropriate, because the place between a worthy helper below and a kindly ruler above carries great responsibility. The confidence of the man in superior place must not be*

*abused nor the merits of the man in inferior place concealed. There are officials who indeed do not strive for prominence; they hide behind the letter of the ordinances, decline all responsibility, accept pay without giving its equivalent in work, and bear empty titles. This is the opposite of what is meant here by modesty. In such a position, modesty is shown by interest in one's work.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 32 – Heng - Duration*

*The strong trigram Chen is above, the weak trigram Sun below. This hexagram is the inverse of the preceding one. In the latter we have influence, here we have union as an enduring condition. The two images are thunder and wind, which are likewise constantly paired phenomena. The lower trigram indicates gentleness within; the upper, movement without.*

*In the sphere of social relationships, the hexagram represents the institution of marriage as the enduring union of the sexes. During courtship the young man subordinates himself to the girl, but in marriage, which is represented by the coming together of the eldest son and the eldest daughter, the husband is the directing and moving force outside, while the wife, inside, is gentle and submissive.*

#### **THE JUDGMENT**

*DURATION. Success. No blame.  
Perseverance furthers.  
It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

#### **THE IMAGE**

*Thunder and wind: the image of DURATION.  
Thus the superior man stands firm  
And does not change his direction.*

*Thunder rolls, and the wind blows; both are examples of extreme mobility and so are seemingly the very opposite of duration, but the laws governing their appearance and subsidence, their coming and going, endure. In the same way the independence of the superior man is not based on rigidity and immobility of character. He always keeps abreast of the time and changes with it. What endures is the unswerving directive, the inner law of his being, which determines all his actions.*

## **priceline.com Incorporated PCLN under CEO Jeffery H. Boyd**

Jeffery H. Boyd's Performance:	ROI= 5,968.24%	Annualized Return= 59.92%
SPY's Performance:	ROI= 37.02%	Annualized Return= 3.67%

Jeffery H. Boyd has been CEO of priceline.com since November 2002. Since then, his performance has been that of a Superior CEO specially compared to that of the SPY's.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future performance: it is Modesty.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six in the fourth place means:

*Nothing that would not further modesty  
In movement.*

*Everything has its proper measure. Even modesty in behavior can be carried too far. Here, however, it is appropriate, because the place between a worthy helper below and a kindly ruler above carries great responsibility. The confidence of the man in superior place must not be abused nor the merits of the man in inferior place concealed. There are officials who indeed do not strive for prominence; they hide behind the letter of the ordinances, decline all responsibility, accept pay without giving its equivalent in work, and bear empty titles. This is the opposite of what is meant here by modesty. In such a position, modesty is shown by interest in one's work.*

Six in the fifth place means:

No boasting of wealth before one's neighbor.

It is favorable to attack with force.

Nothing that would not further.

Modesty is not to be confused with weak good nature that lets things take their own course. When a man holds a responsible position, he must at times resort to energetic measures. In doing so he must not try to make an impression by boasting of his superiority but must make certain of the people around him. The measures taken should be purely objective and in no way personally offensive. Thus modesty manifests itself even in severity.

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 31 – Hsien - Influence (Wooing)

The name of the hexagram means "universal," "general," and in a figurative sense "to influence," "to stimulate." The upper trigram is Tui, the Joyous; the lower is Ken, Keeping Still. By its persistent, quiet influence, the lower, rigid trigram stimulates the upper, weak trigram, which responds to this stimulation cheerfully and joyously. Ken, the lower trigram, is the youngest son; the upper, Tui, is the youngest daughter. Thus the universal mutual attraction between the sexes is represented. In courtship, the masculine principle must seize the initiative and place itself below the feminine principle.

Just as the first part of book I begins with the hexagrams of heaven and earth, the foundations of all that exists, the second part begins with the hexagrams of courtship and marriage, the foundations of all social relationships.

#### THE JUDGMENT

*Influence.*

*Success.*

*Perseverance furthers.*

*To take a maiden to wife brings good fortune.*

The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. By keeping still within while experiencing joy without, one can prevent the joy from going to excess and hold it within proper bounds. This is the meaning of the added admonition, "Perseverance furthers," for it is perseverance that makes the difference between seduction and courtship; in the latter the strong man takes a position inferior to that of the weak girl and shows consideration for her. This attraction between affinities is a general law of nature. Heaven and earth attract each other and thus all creatures come into being. Through such attraction the sage influences men's hearts, and thus the world attains peace. From the attractions they exert we can learn the nature of all beings in heaven and on earth.

#### THE IMAGE

*A lake on the mountain: The image of influence.*

*Thus the superior man encourages people to approach him  
By his readiness to receive them.*

*A mountain with a lake on its summit is stimulated by the moisture from the lake. It has this advantage because its summit does not jut out as a peak but is sunken. The image counsels that the mind should be kept humble and free, so that it may remain receptive to good advice. People soon give up counseling a man who thinks that he knows everything better than anyone else.*

## **Seattle Genetics Inc. SGEN under CEO Clay B. Siegall**

Clay B. Siegall's Performance:	ROI= 495.83%	Annualized Return= 22.64%
SPY's Performance:	ROI= 37.03%	Annualized Return= 3.67%

Clay B. Siegall has been CEO of Seattle Genetics since November 2002. Since then, his performance has been substantially better than that of the SPY's. His Time-Space has no moving lines therefore the entire Modesty Time Space supports him.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future performance: it is Modesty.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

((Same as Above)).

#### **2) THE ADVICE**

((Same as Above)).

#### **3) THE LINES:**

No Moving Lines.

#### **4) THE MOVING HEXAGRAM**

Because there are no moving lines, there is no Moving Hexagram. Thus the Judgment becomes the focusing point.

*MODESTY creates success.  
The superior man carries things through.*



*It is the law of heaven to make fullness empty and to make full what is modest; when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting, and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also. It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.*

*The destinies of men are subject to immutable laws that must fulfill themselves. But man has it in his power to shape his fate, according as his behavior exposes him to the influence of benevolent or of destructive forces. When a man holds a high position and is nevertheless modest, he shines with the light of wisdom; if he is in a lowly position and is modest, he cannot be passed by. Thus the superior man can carry out his work to the end without boasting of what he has achieved.*

# **16 ENTHUSIASM**

## **MANAGERIAL ISSUE:**

The CEO – managing the employees’ enthusiasm or passion to achieve a great goal.

Hexagram 16 focuses on the CEO’s ability to manage the employees’ enthusiasm to achieve great tasks. Here we have a strong active CEO surrounded by weak executives/employees. However, this CEO knows how to vibrate in unison with the spirit of the employees, to challenge them to achieve great goals. Thus all the employees want to follow him, to work with him, and to pledge allegiance to him. This combination of a strong CEO, who wants to get the corporation going, and the enthusiasm he generates in them, creates the conditions for the corporation’s passion to succeed.

### **The Superior CEO:**

- 1) Sets up goals for the employees in accordance with what is natural for them – to do what they love, what they are passionate about.
- 2) Helps people express their passion by helping them do what is natural to them.
- 3) Sets up and enforces rules encouraging employees to perform their best; particularly rules that reward merit.

Under the Enthusiasm, the I Ching describes a corporation as group of people who have gathered around or who have been brought together by a leader to perform specific tasks for which they are naturally suited. Bill Gates gathered the best programmers who ever dreamed of creating the best software in the world. Bill Gates was successful as long as he rewarded them for creating the most innovative software. The same can be said of Google. Unfortunately, there have been too many cases of unsuccessful CEOs who tried to run their corporations by asking their managers and employees to become experts at fields which were not natural to them, fields for which they felt no passion.

## **MANAGERIAL LESSON:**

**The I Ching warns the CEO that:**

- a) To force the employees to go against what is natural for them will not only fail to generate the enthusiasm so badly needed for success but quite on the contrary, it will generate opposition. Corporations should stay within their “sphere of influence”
- b) Only enthusiasm or passion will create the conditions for success.
- c) The key to generating enthusiasm (passion) is to honor and reward merit.

## The Superior CEO:

- 1) Challenges the employees to reach their highest goals (raises the bar). Employees filled with enthusiasm will follow the CEO in executing the impossible.
- 2) Imitates nature. Nature makes laws in accordance to the nature of each thing so that there will be neither conflicts nor resistance to these laws. In the same way, the CEO must study the nature, characteristics, and ego of the employees to set up plans and establish goals in accordance with the corporation as a whole entity. Such plans that go along the lines of the employee's nature will, in turn, create enthusiasm (passion) amongst the employees, and it is the enthusiasm that will make them want to reach the goals. The CEO must keep in mind that passion creates unity of purpose amongst the employees.
- 3) Uses music as a way to arouse enthusiasm or passion. Everyday more and more CEOs are incorporating music into the working environment as a way of creating more enthusiasm and of subconsciously encouraging the employees to reach their goals. Music bonds people together, in the same way music used to bond the Roman legions when going to war. Music quickens the spirit and sharpens the intelligence, particularly Mozart's music.

The I Ching says: *Confucius has said of the great sacrifice at which these rites were performed: "He who could wholly comprehend this sacrifice could rule the world as though it were spinning on his hand."*

The CEO's task is very simple:

- a) Reach deeply within each employee's heart and touch his passion.
- b) Create the necessary environment so that his passion will come out and stay alive.

The I Ching compares the task of the CEO to the Sun and the employees to the planets. The planets gladly follow the Sun because the Sun leads them by doing two simple things: by vibrating in unison with them and by asking them to do only what comes natural to them, that is, follow gravity.

## **INVESTMENT ADVICE:**

For the investor, the Enthusiasm is in general a favorable Time-Space to invest.

By itself (no lines) the Hexagram is positive because the CEO is able to generate enthusiasm and arouse the employees to achieve great goals.

### ***ENTHUSIASM.***

*It furthers one to install helpers  
And to set armies marching.*

*The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and*

*willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead. The inviolability of natural laws rests on this principle of movement along the line of least resistance. These laws are not forces external to things but represent the harmony of movement immanent in them. That is why the celestial bodies do not deviate from their orbits and why all events in nature occur with fixed regularity. It is the same with human society: only such laws as are rooted in popular sentiment can be enforced, while laws violating this sentiment merely arouse resentment.*

*Again, it is enthusiasm that enables us to install helpers for the completion of an undertaking without fear of secret opposition. It is enthusiasm too that can unify mass movements, as in war, so that they achieve victory.*

Even though the Hexagram tends to be positive, this is not the case with the lines. Only two lines are positive (one is a Good Fortune) and four tend to be negative for investing.

The following examples are those of corporations under the Enthusiasm Time-Space:

First we will review the performance of a manager who embodied the concept of Enthusiasm while she was CEO. That is the case of Meg Whitman of eBay.

- **eBay EBAY - Meg Whitman as CEO (1998 – 2007)**

Second, we will compare three corporations with similar Enthusiasm Time - Spaces created by their actual CEOs.

- **The Goldman Sachs Group GS under CEO Lloyd Blankfein**
- **Kinder Morgan KMI under CEO Richard D. Kinder**
- **ON Semiconductor Corp. ONNN under CEO Keith D. Jackson**
- **NetApp, Inc. NTAP under CEO Thomas Georgens**

Comparing four corporations with similar Enthusiasm Time - Spaces created by their CEOs we can more easily understand which CEOs apply the Enthusiasm properly and which do not.

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the employees' enthusiasm or passion to achieve a great goal – generating false enthusiasm.

**Managerial Lesson:** Be unselfish.

**Managerial Warning:** At the first stage of the Enthusiasm Time-Space, the I Ching describes a pompous CEO with low social ranking striving to achieve high social ranking. He only speaks of his personal influence over important people. His efforts to bring forth the passion of his employees are aimed at furthering himself or others outside the corporation rather than the

employees. He is leading the corporation to its destruction by attempting to generate enthusiasm/passion asking the employees to do that which goes against their nature.

**Managerial Advice:** The Superior CEO does not to generate enthusiasm out of selfish motives. He knows the purpose of bringing forth the employees' passion is to bond with the employees rather than to bond with outsiders not matter how influential they may be.

**Investment Advice:** Do not invest.

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The realist CEO – managing the employees' enthusiasm/passion to achieve a great goal – generating real enthusiasm.

**Managerial Lesson:** Be realistic / tenacious.

**Managerial Warning:** At the second stage of the Enthusiasm Time-Space, the I Ching warns the CEO that flattery and arrogance will not stop him from following the BOD's wrong policies.

How could he stop from executing wrong policies when he is flattering his superiors – the same ones who created such policies (i.e. the Board of Directors) and the same ones who are telling him to continue?

How can he stop implementing his own wrong policies if he is arrogant with his employees and will not let them speak up nor will he listen to them when he should?

Here is a fascinating piece of advice from Confucius himself to the CEO:

- *"To know the seeds, that is divine indeed. For he knows the seeds. The seeds are the first imperceptible beginning of movement, the first trace of good fortune (or misfortune) that shows itself. The superior man perceives the seeds and immediately takes action. He does not wait even a whole day. In the Book of Changes it is said: "Firm as a rock. Not a whole day. Perseverance brings good fortune." Firm as a rock, what need of a whole day? The judgment can be known. The superior man knows what is hidden and what is evident. He knows weakness, he knows strength as well. Hence the myriad's look up to him. "*

**Managerial Advice:** The Superior CEO is realistic. He is able to generate enthusiasm amongst the employees, without letting anyone or anything fool him into blindly following this passion and take the wrong action. In this line we have a very able CEO, one who can think out of the box and foretell well ahead of the times when to move and when to stop. He is able to do so because he is humble. He moves quickly to stop what is wrong and to support what is right.

The I Ching advises the CEO to deal with people equally (as above, so below). He should be even handed with his superiors as well as with his employees.

- The I Ching says" *In his association with those above him, the superior man does not flatter. In his association with those beneath him, he is not arrogant".*

This attitude is crucial in knowing when to stop. And the best time to stop is when he sees the first signs of disagreement amongst the employees because he knows that passion cannot withstand divisions.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The self-deluding CEO – managing the employees' enthusiasm or passion to achieve a great goal – bringing forth the passion yet not knowing when to stop.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the third stage of the Enthusiasm Time-Space, the I Ching describes a CEO who is the opposite of the one in the line before. In the previous line the CEO could generate the proper enthusiasm on his own. In this line, this CEO is the opposite because he depends on someone else to generate enthusiasm; thus, the I Ching warns him he will fail in reaching his objectives. That is, such an insecure CEO will miss the opportunity to execute the plans. Self-delusion leads to failure

**Managerial Advice:** The Superior CEO is resolute when keeping in touch with his employees. He makes sure nothing (flattery or arrogance) keeps him away from maintaining contact with his employees. In that way, he will know when to take the initiative or when to stop executing the wrong one.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the employees' enthusiasm/passion to achieve a great goal – bringing forth passion successfully.

**Managerial Lesson:** Be confident.

**Managerial Warning:** At the fourth stage of the Enthusiasm Time-Space, the I Ching describes a CEO who is able to bring forth the necessary passion for success.

**Managerial Advice:** The Superior CEO generates great enthusiasm because he is self-assured, honest, tenacious and trusting. These qualities serve him to gather the best employees and partners. The enthusiasm he generates makes everyone willing to join him and cooperate with him. With such enthusiasm he accomplishes great tasks. It is such enthusiasm that makes him successful.

**Investment Advice:** Invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the employees' enthusiasm/passion to achieve a great goal – failing to generate the enthusiasm/passion, but managing to survive.

**Managerial Lesson:** Be hopeful.

**Managerial Warning:** At the fifth stage of the Enthusiasm Time-Space, the I Ching warns the CEO his efforts to bring forth passion from his employees will fail because of constant pressures from various quarters – employees, industry, and government.

**Managerial Advice:** The Superior CEO is grateful for all this pressure. Thanks to this pressure he will be kept away from following after the wrong enthusiasm/passion. By not being able to act, he saves the corporation and himself. Sometimes good comes out of evil.

**Investment Advice:** Do not invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The self-deluding CEO – managing the employees' enthusiasm to achieve a great goal – realizing he was chasing after a false passion.

**Managerial Lesson:** Be sober.

**Managerial Warning:** At the sixth stage of the Enthusiasm Time-Space, the I Ching warns the CEO that in an act of self-delusion, he has been chasing after the wrong passion.

**Managerial Advice:** The Superior CEO knows he can correct even the worse of the conditions provided he is humble, honest and willing, and that an appropriate correction could lead to a transformation that could save the corporation.

In this case, the I Ching advises the CEO there is still hope for him because it is alright to pursue an objective under the wrong enthusiasm/passion provided he realizes his mistake and admits it quickly and publicly.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **eBay - Meg Whitman as CEO (1998 – 2007)**

Meg Whitman's Performance: ROI= 1,907.78% Annualized Return= 38.71%.  
SPY's Performance: ROI= 47.60% Annualized Return= 4.34%

Meg Whitman was CEO of eBay from September 1998 to November 2007. During that time her performance was that of a Superior CEO. She was able to follow the I Ching's mandate:

*ENTHUSIASM.*

*It furthers one to install helpers  
And to set armies marching.*

*The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead.*

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 16 – Yu - Enthusiasm*

*The strong line in the fourth place, that of the leading official, meets with response and obedience from all the other lines, which are all weak. The attribute of the upper trigram, Chen, is movement; the attributes of K'un, the lower, are obedience and devotion. This begins a movement that meets with devotion and therefore inspires enthusiasm, carrying all with it. Of great importance, furthermore, is the law of movement along the line of least resistance, which in this hexagram is enunciated as the law for natural events and for human life.*

*THE JUDGMENT*

*ENTHUSIASM.*

*It furthers one to install helpers  
And to set armies marching.*

*The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead. The inviolability of natural laws rests on this principle of movement along the line of least resistance. These laws are not forces*



*external to things but represent the harmony of movement immanent in them. That is why the celestial bodies do not deviate from their orbits and why all events in nature occur with fixed regularity. It is the same with human society: only such laws as are rooted in popular sentiment can be enforced, while laws violating this sentiment merely arouse resentment.*

*Again, it is enthusiasm that enables us to install helpers for the completion of an undertaking without fear of secret opposition. It is enthusiasm too that can unify mass movements, as in war, so that they achieve victory.*

## **2) THE ADVICE**

*Thunder comes resounding out of the earth: The image of ENTHUSIASM.  
Thus the ancient kings made music In order to honor merit,  
And offered it with splendor  
To the Supreme Deity,  
Inviting their ancestors to be present.*

*When, at the beginning of summer, thunder - electrical energy - comes rushing forth from the earth again, and the first thunderstorm refreshes nature, a prolonged state of tension is resolved. Joy and relief make themselves felt. So too, music has power to ease tension within the heart and to loosen the grip of obscure emotions. The enthusiasm of the heart expresses itself involuntarily in a burst of song, in dance and rhythmic movement of the body. From immemorial times the inspiring effect of the invisible sound that moves all hearts, and draws them together, has mystified mankind.*

*Rulers have made use of this natural taste for music; they elevated and regulated it. Music was looked upon as something serious and holy, designed to purify the feelings of men. It fell to music to glorify the virtues of heroes and thus to construct a bridge to the world of the unseen. In the temple men drew near to God with music and pantomimes (out of this later the theater developed). Religious feeling for the Creator of the world was united with the most sacred of human feelings, that of reverence for the ancestors. The ancestors were invited to these divine services as guests of the Ruler of Heaven and as representatives of humanity in the higher regions. This uniting of the human past with the Divinity in solemn moments of religious inspiration established the bond between God and man. The ruler who revered the Divinity in revering his ancestors became thereby the Son of Heaven, in whom the heavenly and the earthly world met in mystical contact. These ideas are the final summation of Chinese culture.*

*Confucius has said of the great sacrifice at which these rites were performed:  
"He who could wholly comprehend this sacrifice could rule the world as though it were spinning on his hand."*

## **3) THE LINES:**

There are no moving lines.

#### 4) THE MOVING HEXAGRAM

There is no moving Hexagram because there are no moving lines. The Judgment becomes even more important.

##### *THE JUDGMENT*

##### *ENTHUSIASM.*

*It furthers one to install helpers  
And to set armies marching.*

*The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead. The inviolability of natural laws rests on this principle of movement along the line of least resistance. These laws are not forces external to things but represent the harmony of movement immanent in them. That is why the celestial bodies do not deviate from their orbits and why all events in nature occur with fixed regularity. It is the same with human society: only such laws as are rooted in popular sentiment can be enforced, while laws violating this sentiment merely arouse resentment.*

*Again, it is enthusiasm that enables us to install helpers for the completion of an undertaking without fear of secret opposition. It is enthusiasm too that can unify mass movements, as in war, so that they achieve victory.*

### **The Goldman Sachs Group GS under CEO Lloyd Blankfein**

Lloyd C. Blankfein's Performance:	ROI= (13.61%)	Annualized Return= (2.79%)
SPY's Performance:	ROI= 0.16%	Annualized Return= 0.03%

Lloyd C. Blankfein has been CEO of Goldman Sachs since June 2006. Since then, his performance has been worst that that of the SPY's. All this, in spite of the fact that they are supposed to be the geniuses of Wall Street, that they profited from the boom as well as the bust of the real estate market, and that they have benefited enormously from large government loans thanks to their government connections. His poor performance was announced by the two negative lines of his Hexagram.

There are few corporations in the world that generate more enthusiasm amongst its employees that Goldman Sachs. This is particularly the case because no other corporation has the earnings to reward merit with bonuses in a way that other corporations can only dream of.

However, the ENTHUSIASM Time-Space of Goldman Sachs under CEO Lloyd Blankfein, shows he has failed to create enthusiasm as shown by the lines and the price of the stock. Furthermore, under his mandate, Goldman Sachs has created extreme public resentment by the way Goldman generated massive profits by making money with the boom as well as with the bust of the real estate market. This public resentment is actually putting the corporation in

danger. Matt Taibbi's comments about Goldman Sachs have found resonance in the world: "The world's most powerful investment bank is a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money."

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*Enthusiasm that expresses itself*

*Brings misfortune.*

*A man in an inferior position has aristocratic connections about which he boasts enthusiastically. This arrogance inevitably invites misfortune. Enthusiasm should never be an egotistic emotion; it is justified only when it is a general feeling that unites one with others.*

Six in the fifth place means:

*Persistently ill and still does not die.*

*Here enthusiasm is obstructed. A man is under constant pressure, which prevents him from breathing freely. However, this pressure has its advantage - it prevents him from consuming his powers in empty enthusiasm. Thus constant pressure can actually serve to keep one alive.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 17 – Sui - Following*

*The trigram Tui, the Joyous, whose attribute is gladness, is above; Chen, the Arousing, which has the attribute of movement, is below. Joy in movement induces following. The Joyous is the youngest daughter, while the Arousing is the eldest son. An older man defers to a young girl and shows her consideration. By this he moves her to follow him.*

*THE JUDGMENT*

*FOLLOWING has supreme success.*

*Perseverance furthers.  
No blame.*

*In order to obtain a following one must first know how to adapt oneself. If a man would rule he must first learn to serve, for only in this way does he secure from those below him the joyous assent that is necessary if they are to follow him. If he has to obtain a following by force or cunning, by conspiracy or by creating factions, he invariably arouses resistance, which obstructs willing adherence. But even joyous movement can lead to evil consequences, hence the added stipulation, "Perseverance furthers"-that is, consistency in doing right - together with "No blame." Just as we should not ask others to follow us unless this condition is fulfilled, so it is only under this condition that we can in turn follow others without coming to harm.*

*The thought of obtaining a following through adaptation to the demands of the time is a great and significant idea; this is why the appended judgment is so favorable.*

### *THE IMAGE*

*Thunder in the middle of the lake: The image of FOLLOWING.  
Thus the superior man at nightfall  
Goes indoors for rest and recuperation.*

*In the autumn electricity withdraws into the earth again and rests. Here it is the thunder in the middle of the lake that serves as the image - thunder in its winter rest, not thunder in motion. The idea of following in the sense of adaptation to the demands of the time grows out of this image.*

*Thunder in the middle of the lake indicates times of darkness and rest. Similarly, a superior man, after being tirelessly active all day, allows himself rest and recuperation at night. No situation can become favorable until one is able to adapt to it and does not wear himself out with mistaken resistance.*

## **Kinder Morgan KMI under CEO Richard D. Kinder**

The time-space created by Kinder Morgan under its CEO Richard Kinder is much better because the lines point to the ability of the CEO to create a better Enthusiasm Time-Space than the Time-Space of Goldman Sachs under CEO Lloyd Blankfein.

Richard D. Kinder's performance is difficult to measure because of KMI's relatively recent IPO; however, it would appear his performance has been excellent since he became CEO on May 2007. The line is very propitious.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*0 Nine in the fourth place means:*

*The source of enthusiasm.*

*He achieves great things.*

*Doubt not.*

*You gather friends around you*

*As a hair clasp gathers the hair.*

*This describes a man who is able to awaken enthusiasm through his own sureness and freedom from hesitation. He attracts people because he has no doubts and is wholly sincere. Owing to his confidence in them he wins their enthusiastic cooperation and attains success. Just as a clasp draws the hair together and holds it, so he draws men together by the support he gives them.*

### **4) THE MOVING HEXAGRAM**

HEXAGRAM 02 - K'un - THE RECEPTIVE

*This hexagram is made up of broken lines only. The broken line represents the dark, yielding, receptive primal power of yin. The attribute of the hexagram is devotion; its image is the earth. It is the perfect complement of THE CREATIVE - the complement, not the opposite, 1 for the Receptive does not combat the Creative but complements it. It represents nature in contrast to spirit, earth in contrast to heaven, space as against time, the female-maternal as against the male-paternal. However, as applied to human affairs, the principle of this complementary relationship is found not only in the relation between man and woman, but also in that between prince and minister and between father and son. Indeed, even in the individual this duality appears in the coexistence of the spiritual world and the world of the senses.*

*But strictly speaking there is no real dualism here, because there is a clearly defined hierarchic relationship between the two principles. In itself of course the Receptive is just as important as the Creative, but the attribute of devotion defines the place occupied by this primal power in relation to the Creative. For the Receptive must be activated and led by the Creative; then it is productive of good. Only when it abandons this position and tries to stand as an equal side by*

*side with the Creative, does it become evil. The result then is opposition to and struggle against the Creative, which is productive of evil to both.*

## THE JUDGMENT

*THE RECEPTIVE brings about sublime success,  
Furthering through the perseverance of a mare.  
If the superior man undertakes something and tries to lead,  
He goes astray;  
But if he follows, he finds guidance  
It is favorable to find friends in the west and south,  
To forego friends in the east and north.  
Quiet perseverance brings good fortune.*

*The four fundamental aspects of the Creative - "sublime success, furthering through perseverance"- are also attributed to the Receptive. Here, however, the perseverance is more closely defined: it is that of a mare. The Receptive connotes spatial reality in contrast to the spiritual potentiality of the Creative. The potential becomes real and the spiritual becomes spatial through a specifically qualifying definition. Thus the qualification, "of a mare," is here added to the idea of perseverance. The horse belongs to earth just as the dragon belongs to heaven. Its tireless roaming over the plains is taken as a symbol of the vast expanse of the earth. This is the symbol chosen because the mare combines the strength and swiftness of the horse with the gentleness and devotion of the cow.*

*Only because nature in its myriad forms corresponds with the myriad impulses of the Creative can it make these impulses real. Nature's richness lies in its power to nourish all living things; its greatness lies in its power to give them beauty and splendor. Thus it prospers all that lives. It is the Creative that begets things, but they are brought to birth by the Receptive. Applied to human affairs, therefore, what the hexagram indicates is action in conformity with the situation. The person in question is not in an independent position, but is acting as an assistant. This means that he must achieve something. It is not his task to try to lead - that would only make him lose the way - but to let him be led. If he knows how to meet fate with an attitude of acceptance, he is sure to find the right guidance. The superior man lets himself be guided; he does not go ahead blindly, but learns from the situation what is demanded of him and then follows this intimation from fate.*

*Since there is something to be accomplished, we need friends and helpers in the hour of toil and effort, once the ideas to be realized are firmly set. The time of toil and effort is indicated by the west and the south, for west and south symbolize the place where the Receptive works for the Creative, as nature does in summer and autumn. If in that situation one does not mobilize all one's powers, the work to be accomplished will not be done. Hence to find friends there means to find guidance. But in addition to the time of toil and effort, there is also a time of planning, and for this we need solitude. The east symbolizes the place where a man receives orders from his master and the north the place where he reports on what he has done. At that time he must be alone and objective. In this sacred hour he must do without companions so that the purity of the moment may not be spoiled by factional hates and favoritism.*

## THE IMAGE

*The earth's condition is receptive devotion.  
Thus the superior man who has breadth of character  
Carries the outer world.*

*Just as there is only one heaven, so too there is only one earth. In the hexagram of the heaven the (doubling, of the trigram implies duration in time, but in the hexagram of earth the doubling connotes the solidity and extension in space by virtue of which the earth is able to carry and preserve all things that live and move upon it. The earth in its devotion carries all things, good and evil, without exception. In the same way the superior man gives to his character breadth, purity, and sustaining power, so that he is able both to support and to bear with people and things.*

## **ON Semiconductor Corp. ONNN under CEO Keith D. Jackson**

Keith D. Jackson's Performance:	ROI= 435.85%	Annualized Return= 21.15%
SPY's Performance:	ROI= 34.94%	Annualized Return= 3.49%

Keith D. Jackson has been CEO of ON Semiconductor since November 2002. Since then, his performance has been excellent compared to the SPY's.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future Time-Space: it is the Enthusiasm.

His new Time-Space has no moving lines, therefore his performance will probably be as excellent in the same way as that of Meg Whitman when she was CEO of eBay.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

((Same as Above)).

#### **2) THE ADVICE**

((Same as Above)).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving hexagram because there are no moving lines. The Judgment becomes even more important.

### *THE JUDGMENT*

#### *ENTHUSIASM.*

*It furthers one to install helpers  
And to set armies marching.*

### *THE IMAGE*

*Thunder comes resounding out of the earth: The image of ENTHUSIASM.  
Thus the ancient kings made music In order to honor merit,  
And offered it with splendor  
To the Supreme Deity,  
Inviting their ancestors to be present.*

## **NetApp, Inc. NTAP under CEO Thomas Georgens**

Thomas Georgens' Performance:	ROI= 97.07%	Annualized Return= 40.45%
SPY's Performance:	ROI= 25.32%	Annualized Return= 11.96%

Thomas Georgens has been CEO of NetApp since August 2009. Since then, his performance has been better than that of the SPY's. His performance is supported by the second line but the third line points to possible difficulties.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six in the second place means:

*Firm as a rock.*

*Not a whole day.*

*Perseverance brings good fortune.*



*This describes a person who does not allow himself to be misled by any illusions. While others are letting themselves be dazzled by enthusiasm, he recognizes with perfect clarity the first signs of the time. Thus he neither flatters those above nor neglects those beneath him; he is as firm as a rock. When the first sign of discord appears, he knows the right moment for withdrawing and does not delay even for a day. Perseverance in such conduct will bring good fortune.*

*Confucius says about this line:*

*"To know the seeds, that is divine indeed. In his association with those above him, the superior man does not flatter. In his association with those beneath him, he is not arrogant. For he knows the seeds. The seeds are the first imperceptible beginning of movement, the first trace of good fortune (or misfortune) that shows itself. The superior man perceives the seeds and immediately takes action. He does not wait even a whole day. In the Book of Changes it is said: "Firm as a rock. Not a whole day. Perseverance brings good fortune."*

*Firm as a rock, what need of a whole day?*

*The judgment can be known.*

*The superior man knows what is hidden and what is evident.*

*He knows weakness, he knows strength as well.*

*Hence the myriad's look up to him.*

*Six in the third place means:*

*Enthusiasm that looks upward creates remorse.*

*Hesitation brings remorse.*

*This line is the opposite of the preceding one: the latter bespeaks self-reliance, while here there is enthusiastic looking up to a leader. If a man hesitates too long, this also will bring remorse. The right moment for approach must be seized: only then will he do the right thing.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 32 – Heng - Duration*

*The strong trigram Chen is above, the weak trigram Sun below. This hexagram is the inverse of the preceding one. In the latter we have influence, here we have union as an enduring condition. The two images are thunder and wind, which are likewise constantly paired phenomena. The lower trigram indicates gentleness within; the upper, movement without.*

*In the sphere of social relationships, the hexagram represents the institution of marriage as the enduring union of the sexes. During courtship the young man subordinates himself to the girl, but in marriage, which is represented by the coming together of the eldest son and the eldest daughter, the husband is the directing and moving force outside, while the wife, inside, is gentle and submissive.*

**THE JUDGMENT**

**DURATION. Success. No blame.**

*Perseverance furthers.  
It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

#### **THE IMAGE**

*Thunder and wind: the image of DURATION.  
Thus the superior man stands firm  
And does not change his direction.*

*Thunder rolls, and the wind blows; both are examples of extreme mobility and so are seemingly the very opposite of duration, but the laws governing their appearance and subsidence, their coming and going, endure. In the same way the independence of the superior man is not based on rigidity and immobility of character. He always keeps abreast of the time and changes with it. What endures is the unswerving directive, the inner law of his being, which determines all his actions.*

# 17 FOLLOWING

## MANAGERIAL ISSUE:

The CEO - managing to create a following among the employees/customers.

Hexagram 17 focuses on the CEO's need to create a following amongst his employees and his customers.

- The I Ching says (\*): "*Joy in movement induces following . . . An older man defers to a young girl and shows her consideration. By this he moves her to follow him.*"

Note: it is fascinating to see how, over three thousand years ago, the I Ching was advising men how to make women fall in love with them. The secret is not in viewing men as Martians or women as Venusians but rather giving women what they really want: simple CONSIDERATION.

## MANAGERIAL LESSON:

The Superior CEO:

- 1) Adapts:
  - a. To the conditions of the times. A CEO who is not in harmony with the times will not create following among his employees and customers. He will ask his employees to create products that no longer are in demand and will be promptly abandoned by his customers. That is one of the reasons why CEOs must be relatively young.
  - b. To the corporate culture. Observe before making any changes (John Boyd's OODA). A typical case was Merrill's CEO Bill Schreyer, who used to advise the newly appointed CEOs not to make any changes for the first six months or at least not until they got a feeling for the way to go.
- 2) Serves:
  - a. Is in front of marketing. The CEO should be the first one so serve the customers. Wendy's Dave Thomas serving hamburgers himself comes to mind. Everyone will follow a CEO who leads by example, who first is willing to serve before telling others to serve.
  - b. Makes sure the top executives serve the junior executives, and everyone serves each other. Taking care of their employees is what has made many Japanese companies so successful. The CEO who takes care of his good employees and fires the bad ones will in turn be taken care of by the good employees left.
- 3) Knows the corporate business well.
- 4) Leads customers and employees with joy and consideration. When an action plan is carried out with joy and consideration, all conditions are then given for all the employees

to follow the CEO. This advice is extended to the higher-ranking executives who must also be considerate with the lower ranking executives.

- 5) Keeps in mind the good of the employees so that they will eventually serve him well in carrying out his plans. The same applies to his customers.
- 6) Is friendly and positive at all times. There will always be discontent during the time a new policy is implemented. If a new policy is interrupted during the first sign of discontent, there won't be any success. The policy has to be kept until the employees finally accept it. A policy, which is based on positivism, is always superior to one based on negativism.
- 7) Rests after completing a project. The CEO must adapt to the rhythm of the Universe. To take a reasonable break to replenish the corporate strength is crucial. To continue to push relentlessly creates exhaustion. No one wants to follow a CEO who will drive his employees to the ground. A "following-mode" policy must be followed by a "relaxation-mode" policy so that the CEO can once again demand a "following-mode" from his employees, and so on. When the time comes for the CEO to give the employees a break, the CEO and his top executives must also relax. The idea is not to go against the cycle's concept, but rather to make the most of both modes: the following mode and the relaxation mode. Like the heart which not only compresses but must also relax.

The Superior CEO creates following by consideration and joy. He does:

- 1) Not force others to follow him. That is, not lead by force, cunning or conspiring by creating division amongst the ranks. That would only arouse resistance which in turn, will obstruct the same willingness to follow he seeks from the employees and customers.
- 2) Not ask others to follow him in doing what he would not do himself. He must do the right thing at all times and ask others to do the right thing. By asking no one to do harm to others or to themselves, he creates respect and following among his customers and employees. This is the essence of the problem with Altria (Philip Morris). By asking his customers to smoke and kill themselves and by asking its employees to produce a poisonous drug, the CEO creates a feeling of hatred from his customers who know they are buying death in a box and contempt from his employees who know they are producing something harmful.
- 3) Not forcing the employees to follow him in accomplishing unrealistic goals. No CEO can ever create an atmosphere of following-mode among the employees, if he forces unrealistic goals upon them, or forces them to work under demeaning conditions, or if he lies or cheats them with false promises, or if he tries to divide them to make them fight amongst each other. This creates the opposite of a following-mode. It creates only hatred and resentment.

## **INVESTMENT ADVICE:**

For the investor, the Following is in general a favorable Time-Space to invest.

By itself (no lines) the Hexagram is positive because the CEO has the opportunity to adapt to the demands of the time.

*FOLLOWING has supreme success.*

*Perseverance furthers.*

*No blame.*

*In order to obtain a following one must first know how to adapt oneself. If a man would rule he must first learn to serve, for only in this way does he secure from those below him the joyous assent that is necessary if they are to follow him. If he has to obtain a following by force or cunning, by conspiracy or by creating factions, he invariably arouses resistance, which obstructs willing adherence. But even joyous movement can lead to evil consequences, hence the added stipulation, "Perseverance furthers"-that is, consistency in doing right - together with "No blame." Just as we should not ask others to follow us unless this condition is fulfilled, so it is only under this condition that we can in turn follow others without coming to harm.*

*The thought of obtaining a following through adaptation to the demands of the time is a great and significant idea; this is why the appended judgment is so favorable.*

Most of the lines are positive (two are Good Fortune).

The following are two cases under the Following Time-Space.

- **QUALCOMM Inc. QCOM under CEO Paul E. Jacobs**
- **Vertex Pharmaceuticals Inc. VRTX under CEO Matthew Emmens**

(Read at end of hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to create a following among the employees/customers - opening his plans to new opinions and suggestions

**Managerial Lesson:** Be encouraging.

**Managerial Warning:** At the first stage of the Following Time-Space, the I Ching warns the CEO that in order to lead he must:

- Be accessible to everyone. Listen to everyone including top executives/employees and customers – including those who agree with him as well as those who disagree with him.

- Be responsive. Be ready to change the plans accordingly.
- Be principled as to what can and what cannot change.

The success of the Japanese system has to do in part with the fact that the CEO must listen to everyone and that any employee has the right to give his opinion to improve the productivity of the corporation. Legend has it that any worker in Toyota's assembly line can stop the production should he find a faulty part.

**Managerial Advice:** The Superior CEO listens because he is:

- A man of principles and integrity,
- Courageous enough to accept changes.
- Clear about his vision of objectives,
- Willing to change the means to fulfill his vision.

That is why he also looks for ideas and opinions from outside his inner circle and looks for external advisors to help him complete his vision.

Here there is a parallel with Unisys' idea of creating a new computer with a team, whose members came from diverse backgrounds including not only engineers but also a priest and a philosopher. It is always positive to incorporate fresh ideas from various disciplines, which are not related to their corporate business. In this way, we create our own disruptive technologies rather than get caught by surprise by someone else's.

- The I Ching says (\*): *" There are exceptional conditions in which the relation between leader and followers changes. It is implicit in the idea of following and adaptation that if one wants to lead others, one must remain accessible and responsive to the views of those under him. At the same time, however, he must have firm principles, so that he does not vacillate where there is only a question of current opinion. Once we are ready to listen to the opinions of others, we must not associate exclusively with people -, who share our views or, with members of our own party; instead, we must go out and mingle freely with all sorts of people, friends or foes. That is the only way to achieve something."*

**Investment Advice:** Invest.

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO - managing to create a following among the employees/customers – and failing.

**Managerial Lesson:** Be uncompromising.

**Managerial Warning:** At the second stage of the Following Time-Space, the I Ching warns the CEO of the dangers of holding on to the mediocre employees and customers of his misguided intent on keeping his bad advisors and worst managers either because of lack of character or because of friendship. This creates a bad precedent and the good employees leave.

**Managerial Advice:** The Superior CEO is ruthless when choosing his advisors, executives, employees and even customers in general. He shows at all times that he will only accept the

best. There can be no compromise with mediocrity. The CEO cannot serve two masters. He must tolerate neither lack of capacity nor lack of total commitment. Eagles only gather with eagles. The men of merit seek the men of merit. If he hires highly competent people, only the competent will apply for work. Google has that kind of attitude – only geniuses please. To mix the good with the bad will only make the good leave. The same applies to the customers.

In this case the CEO fails to create a following-mode and the men of merit reject the CEO for his poor leadership.

- The I Ching says (\*): *“In friendships and close relationships an individual must make a careful choice. He surrounds himself either with good or with bad company; he cannot have both at once. If he throws himself away on unworthy friends he loses connection with people of intellectual power who could further him in the good.”*

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to create a following among the employees/customers – ruthlessly firing the worst and keeping the best.

**Managerial Lesson:** Be committed.

**Managerial Warning:** At the third stage of the Following Time-Space, The I Ching warns the CEO – once he brings in the men of talent, he must let go of the incompetent. There must be no compromise with mediocrity if he wants to succeed.

**Managerial Advice:** The Superior CEO fires the incompetent and surrounds himself with the best employees only. In this way, he will show his commitment to the highest principles and his commitment to excellence. The Superior CEO will create a following from those employees who remain with him much faster if he fires the incompetent employees, even if this means a temporary slowdown for the corporation. The employees who remain with him will, in turn, bring men of same quality, character and style, thus creating the conditions for success. To be successful, the CEO must remain inflexible in the execution of this policy to show he knows his goals as well as himself.

- The I Ching says: *“When the right connection with distinguished people has been found, a certain loss naturally ensues. A man must part company with the inferior and superficial. But in his heart he will feel satisfied, because he will find what he seeks and needs for the development of his personality. The important thing is to remain firm. He must know what he wants and not be led astray by momentary inclinations.”*

**Investment Advice:** Do not invest. Look for better alternatives.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to create a following among the employees/customers - with the wrong employees/customers.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the fourth stage of the Following Time-Space, the I Ching warns the CEO dishonest and inept employees have gotten too close to him by adulation rather than merit and capacity or because of his own leniency. These employees are only interested in advancing their personal agenda rather than thinking about the corporation. There is a danger he will become too attached to them to the point they are becoming indispensable.

**Managerial Advice:** The Superior CEO is clear about and remains focused on the basics – to reward merit and punish inefficiencies. The inept employees can influence him only if he allows them to inflate his ego. It is not clear that the CEO has the inner strength to keep firm in the execution of the I Ching's advice.

**Investment Advice:** Do not invest.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO - managing to create a following among the employees/customers – within their own interests.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fifth stage of the Following Time-Space, the I Ching warns the CEO every employee/client has his own interest. Do not look outside of it.

**Managerial Advice:** The Superior CEO:

- Seeks what really interests the customers and employees.
- Provides for that which interests his customers/employees.

The Superior CEO's policy aims to seek and provide his customers/employees real interests by rewarding merit, honesty and talent only. His success is contingent upon his executing this policy with all his strength and conviction. This policy should be his north, his compass, and the result will be success. The lesson is that the CEO who seeks for merit among his employees and does it with all his strength will surely succeed.

**Investment Advice:** Invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to create a following among the employees / customers - finding wise advisors from outside his circle.



**Managerial Lesson:** Be open.

**Managerial Warning:** At the sixth stage of the Following Time-Space, the I Ching advises the CEO that even a retired CEO can have his own following. Many retired CEOs are constantly called upon to provide advice on important issues. Some even keep offices in the building.

**Managerial Advice:** The Superior CEO looks for external advice from retired executives, perhaps from a retired CEO. He will find a real wise man that used to have his own following and really knows the business. The Superior CEO recognizes his merits, gets him out of retirement to help him in the execution of his plans, and gets his loyalty and support. This will lead to a long-lasting friendship and to the corporation's success.

The managerial lesson is that it is never too late to recognize merit because merit is beyond age, that the Superior CEO will look for men of merit everywhere, and that he must surround himself by men of merit to ensure his own success. Many corporations keep an office for their retired CEOs to readily have access to their experience.

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **QUALCOMM Inc. QCOM under CEO Paul E. Jacobs**

Paul E. Jacobs' Performance:	ROI= 52.55%	Annualized Return= 7.19%.
SPY's Performance:	ROI= 3.44%	Annualized Return= 0.56%

Paul E. Jacobs has been CEO of Qualcomm since July 2005. Since then, his performance has been excellent compared to that of the SPY's. Qualcomm's Time-Space under the leadership of Paul Jacobs has no moving lines therefore the outcome of the Judgment Supreme Success.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 17 – Sui - Following*

*The trigram Tui, the Joyous, whose attribute is gladness, is above; Chen, the Arousing, which has the attribute of movement, is below. Joy in movement induces following. The Joyous is the youngest daughter, while the Arousing is the eldest son. An older man defers to a young girl and shows her consideration. By this he moves her to follow him.*

*THE JUDGMENT*

*FOLLOWING has supreme success.  
Perseverance furthers.  
No blame.*

*In order to obtain a following one must first know how to adapt oneself. If a man would rule he must first learn to serve, for only in this way does he secure from those below him the joyous assent that is necessary if they are to follow him. If he has to obtain a following by force or cunning, by conspiracy or by creating factions, he invariably arouses resistance, which obstructs willing adherence. But even joyous movement can lead to evil consequences, hence the added stipulation, "Perseverance furthers"-that is, consistency in doing right - together with "No blame." Just as we should not ask others to follow us unless this condition is fulfilled, so it is only under this condition that we can in turn follow others without coming to harm.*

*The thought of obtaining a following through adaptation to the demands of the time is a great and significant idea; this is why the appended judgment is so favorable.*

## **2) THE ADVICE**

*Thunder in the middle of the lake: The image of FOLLOWING.  
Thus the superior man at nightfall  
Goes indoors for rest and recuperation.*

*In the autumn electricity withdraws into the earth again and rests. Here it is the thunder in the middle of the lake that serves as the image - thunder in its winter rest, not thunder in motion. The idea of following in the sense of adaptation to the demands of the time grows out of this image.*

*Thunder in the middle of the lake indicates times of darkness and rest. Similarly, a superior man, after being tirelessly active all day, allows himself rest and recuperation at night. No situation can become favorable until one is able to adapt to it and does not wear himself out with mistaken resistance.*

## **3) THE LINES:**

There are no moving lines.

## **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. Therefore the judgment becomes the focus point.

## **Vertex Pharmaceuticals Inc. VRTX under CEO Matthew Emmens**

Matthew Emmens' Performance: ROI= 49.77%      Annualized Return= 17.59%.  
SPY's Performance:                    ROI= 34.96%      Annualized Return= 14.28%

Matthew Emmens has been CEO of Vertex Pharmaceuticals since May 2009. Since then, his performance has been better than the SPY's. It is still too early to assess his entire performance, but Vertex pharmaceuticals' Time-Space under the leadership of Matthew Emmens has three positive moving lines which will continue to give support to his performance.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

##### *Nine at the beginning*

*The standard is changing,  
Perseverance brings good fortune.  
To go out of the door in company  
Produces deeds.*

*There are exceptional conditions in which the relation between leader and followers changes. It is implicit in the idea of following and adaptation that if one wants to lead others, one must remain accessible and responsive to the views of those under him. At the same time, however, he must have firm principles, so that he does not vacillate where there is only a question of current opinion. Once we are ready to listen to the opinions of others, we must not associate exclusively with people who share our views or with members of our own party; instead, we must go out and mingle freely with all sorts of people, friends or foes. That is the only way to achieve something.*

##### *Six in the third place*

*If one clings to the strong man,  
One loses the little boy.  
Through following one finds what one seeks.  
It furthers one to remain persevering.*

*When the right connection with distinguished people has been found, a certain loss naturally ensues. A man must part company with the inferior and superficial. But in his heart he will feel satisfied, because he will find what he seeks and needs for the development of his personality. The important thing is to remain firm. He must know what he wants and not be led astray by momentary inclinations.*

*0 Nine in the fifth place*

*Sincere in the good.*

*Good fortune.*

*Every man must have something he follows - something that serves him as a lodestar. He who follows with conviction the beautiful and the good may feel himself strengthened by this saying.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 62 - Hsiao Kuo - Preponderance of the Small*

*While in the hexagram Ta Kuo, PREPONDERANCE OF THE GREAT (28), the strong lines preponderate and are within inclosed between weak lines at the top and bottom, the present hexagram has weak lines preponderating, though here again they are on the outside, the strong lines being within. This indeed is the basis of the exceptional situation indicated by the hexagram. When strong lines are outside, we have the hexagram I, PROVIDING NOURISHMENT (27), or Chung Fu, INNER TRUTH (61); neither represents an exceptional state. When strong elements within preponderate, they necessarily enforce their will. This creates struggle and exceptional conditions in general. But in the present hexagram it is the weak element that perforce must mediate with the outside world. If a man occupies a position of authority for which he is by nature really inadequate, extraordinary prudence is necessary.*

#### **THE JUDGMENT**

**PREPONDERANCE OF THE SMALL.**

*Success.*

*Perseverance furthers.*

*Small things may be done; great things should not be done.*

*The flying bird brings the message:*

*It is not well to strive upward,*

*It is well to remain below.*

*Great good fortune.*

*Exceptional modesty and conscientiousness are sure to be rewarded with success; however, if a man is not to throw himself away, it is important that they should not become empty form and subservience but be combined always with a correct dignity in personal behavior. We must understand the demands of the time in order to find the necessary offset for its deficiencies and damages. In any event we must not count on great success, since the requisite strength is lacking. In this lies the importance of the message that one should not strive after lofty things but hold to lowly things.*

*The structure of the hexagram gives rise to the idea that this message is brought by a bird. In Ta Kuo, PREPONDERANCE OF THE GREAT (28), the four strong, heavy lines within, supported only by two weak lines without, give the image of a sagging ridgepole. Here the supporting weak lines are both outside and preponderant; this gives the image of a soaring bird. But a bird should not try to surpass itself and fly into the sun; it should descend to the earth, where its nest is. In this way it gives the message conveyed by the hexagram.*

### *THE IMAGE*

*Thunder on the mountain: The image of PREPONDERANCE OF THE SMALL. Thus in his conduct the superior man gives preponderance to reverence. In bereavement he gives preponderance to grief. In his expenditures he gives preponderance to thrift.*

*Thunder on the mountain is different from thunder on the plain. In the mountains, thunder seems much nearer; outside the mountains, it is less audible than the thunder of an ordinary storm. Thus the superior man derives an imperative from this image: he must always fix his eyes more closely and more directly on duty than does the ordinary man, even though this might make his behavior seem petty to the outside world. He is exceptionally conscientious in his actions. In bereavement emotion means more to him than ceremoniousness. In all his personal expenditures he is extremely simple and unpretentious. In comparison with the man of the masses, all this makes him stand out as exceptional. But the essential significance of his attitude lies in the fact that in external matters he is on the side of the lowly.*

## **18 WORKING ON WHAT HAS BEEN SPOILED (DECAY)** **REPAIRING THE DAMAGE DONE BY PREVIOUS MANAGEMENT**

### **MANAGERIAL ISSUE:**

Hexagram 18 focuses on the CEO's efforts to repair the damage done by the previous management.

The I Ching's image of this condition: *"Ku represents a bowl in whose contents worms are breeding."*

Such condition is the result of:

- Previous management's refusal to change.

This resulted in the

- Employees complete indifference for the well-being of the corporation

### **MANAGERIAL LESSON:**

The Superior CEO:

1) To save the corporation he must:

- a. Energetically take command of the corporation.
  1. Change previous management's inertia by being decisive.
  2. Change the employee's indifference by being energetic.
  3. Be cautious in making these changes.
- b. Perform an in depth analysis of what brought this corporation to the brink of destruction.
- c. Know the causes well – then get rid of them.
- d. Remove all causes for the actual condition. .
- e. Remove the feeling of guilt created by the previous management.
- f. Create a new working environment.
- g. infuse a new spirit to the employees
- h. Make a detailed follow up to keep control over the plans and the results. .
- i. Change the opinion the public has of this corporation as a loser.
- j. Make sure the corporation does not relapse to the previous conditions.

2) He has a good chance to rebuild the corporation because:

- a. What one CEO destroys, another can rebuild.
- b. The times are appropriate for the reconstruction of the corporation given the damage was done by a person and not by a universal cycle. Fate is on his side.

The I Ching says: *It is not immutable fate, as, in the time of STANDSTILL that has caused the state of corruption, but rather the abuse of human freedom.*

The I Ching advises the CEO in a combination of poetry and wisdom:

*The wind blows low on the mountain: The image Of DECAY.*

*Thus the superior man*

- *stirs up the people, and*
- *strengthens their spirit.*

*The superior man must*

- *first remove stagnation by*
  - *stirring up public opinion,*
    - *as the wind stirs everything,*
- *then strengthen and tranquilize*
  - *the character of the people,*
    - *as the mountain gives tranquility and nourishment to all that grows in its vicinity.*

## **INVESTMENT ADVICE:**

It is difficult to invest in a corporation whose CEO is in the process of working on what has been spoiled (by previous management).

For the investor, the Working On What Has Been Spoiled is in general an unfavorable Time-Space to invest.

By itself (no lines) the Hexagram is positive because the CEO is not up against natural cycles (immutable fate) but rather human conditions (the abuse of human freedom).

**WORK ON WHAT HAS BEEN SPOILED**

*Has supreme success.*

*It furthers one to cross the great water.*

*Before the starting point, three days.*

*After the starting point, three days.*

*What has been spoiled through man's fault can be made good again through man's work. It is not immutable fate, as, in the time of STANDSTILL, that has caused the state of corruption, but rather the abuse of human freedom. Work toward improving conditions promises well, because it accords with the possibilities of the time. We must not recoil from work and danger - symbolized by crossing of the great water - but must take hold energetically. Success depends, however, on proper deliberation. This is expressed by the lines, "Before the starting point, three days. After the starting point, three days." We must first know the causes of corruption before we can do away with them; hence it is necessary to be cautious during the time before the start. Then we must see to it that the new way is safely entered upon, so that a relapse may be avoided; therefore we must pay attention to the time after the start. Decisiveness and energy must take the place of the inertia and indifference that have led to decay, in order that the ending may be followed by a new beginning.*

Even though the Hexagram tends to be positive, this is not the case with the lines. Almost all the lines indicate conditions not favorable for investing except perhaps in the first place or maybe in the fifth place. And even then the investor should proceed with caution.

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation - working to fix superficial damages done by the previous CEO (strong character).

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the first stage of the Working On What Has Been Spoiled Time-Space, the I Ching warns the CEO the corporation's negative tendencies are only skin deep and can still be reversed. In this case, the cause the corporation is in financial difficulties is the previous CEO's lack of flexibility – his inability to change and to adapt to the new conditions and times has kept this corporation from making innovations in their products and in implementing new managerial practices.

**Managerial Advice:** The Superior CEO knows he will be successful as long as he maintains the proper attitude: The Superior CEO:

- Does not overlook the dangers - makes a sincere effort to recognize there is a problem.
- Does not take matters lightly – decisively attacks the problem but always keeps in mind that fixing evil implies taking risks.
- Does not keep distant – but is connected with every reform.

Should he manage to correct the previous CEO's superficial mistakes, public opinion will be kind with the previous CEO's reputation.

The concept of a CEO naming his own successor to clean up after his mess is nothing new.

Citigroup's negative tendencies implemented by Sandy Weill were very profound and not skin deep. However, should Vikram Pandit manage to save Citi by cleaning up after Sandy Weill's mess and dismantling that monstrosity called the Universal Banking Model, he just might save Weill's deservedly ill reputation.

**Investment Advice:** Invest. It is a long-term investment.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation - fixing the previous CEO's mistakes (weak character).



**Managerial Lesson:** Be considerate.

**Managerial Warning:** At the second stage of the Working On What Has Been Spoiled Time Space, the CEO finds the corporate decay was brought about by weakness in creating or implementing policies. However, even though there is still time to fix what caused a weakening in the corporation's balance sheet, it is not sure the CEO will do so. The same incompetent managers who caused the corporation's problems with their poor managerial practices might still be around.

**Managerial Advice:** The Superior CEO is gentle in solving this problem (the CEO's previous mistakes). He knows he must use a proper balance between using too much or too little force. He must do no harm. "Gentle consideration" is required.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation – using excessive force to fix previous errors.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the third stage of the Working On What Has Been Spoiled Time Space, the I Ching warns the CEO he will fix the past errors but slightly exceed himself in the application of force.

**Managerial Advice:** The Superior CEO knows that sometimes it is ok to use excessive force (in this case in particular). Such excessive force might bring about complaints from the employees, but this action would appear to be better than doing nothing at all and thus the I Ching does not see it as a grave fault.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation - too weak to fix the CEO's previous errors.

**Managerial Lesson:** Be disciplined.

**Managerial Warning:** At the fourth stage of the Working On What Has Been Spoiled Time Space, the I Ching warns the CEO neither he nor his new managerial team have the strength to fix the damage done by previous management. The CEO will allow the negative tendencies and past managerial practices to continue its course. The I Ching warns the CEO of the inevitability of his failure. No doubt these practices will lead the corporation to a disaster.

**Managerial Advice:** The Superior CEO is strong and determinate in eradicating past inefficient practices even when he knows the Time-Space might be against him.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation - dealing with the previous CEO's mistake - with the help of others.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Working On What Has Been Spoiled Time Space, the I Ching warns the CEO he is “*confronted with corruption originating from neglect in former times*” He must be humble and recognize he does not have the power to:

- Make all changes by himself,
- Create a complete new beginning.

**Managerial Advice:** The Superior CEO:

- Looks for support from the most capable managers (both external and internal) in fixing the corporation's problems. He knows he cannot do it alone.
- Recognizes the magnitude of the task when dealing with the poor managerial practices of the previous CEO.
- Is content to make a “thorough reform with his able helpers” even if he cannot make a complete “new beginning”.

Substantial corrections will bring him public recognition even if he cannot correct all the corporation's problems.

**Investment Advice:** Do not invest. There might be some positive results, but there are better opportunities.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to work on what has been spoiled in the corporation – sacrificing the corporations' needs for those of mankind.

**Managerial Lesson:** Be true.

**Managerial Warning:** At the sixth stage of the Working On What Has Been Spoiled Time Space, the I Ching describes a CEO who could get the corporation out of its difficulties should he decide to get involved and stay very much involved. However, this CEO decides to keep himself distant, dedicating his time to great social issues rather than to focus on actual managerial practices that could save the corporation. Even though this might be positive for the greater good of humanity in general, this is not good for the corporation.

The I Ching warns the CEO he might have the right to remain isolated, but not when the interests of the corporation are involved because such an isolationist attitude will damage the corporation.

**Managerial Advice:** The Superior CEO recognizes both:

- that it is positive for him to remain isolated for the service of mankind because in the long run he will create incomparable human values for the world and
- that it is negative for the corporation should he remain isolated. It would be best to let someone else run the corporation.

The corporation should look for another CEO.

**Investment Advice:** Do not invest.

# **19 APPROACH –**

## **THE CEO – MANAGING THE APPROACHING SUCCESS AND THE APPROACHING FAILURE**

### **MANAGERIAL ISSUE:**

Hexagram 19 focuses on the CEO's managerial efforts to deal with the economic cycles - the approaching boom as well as with the approaching bust that will surely follow. As the cycle of economic expansion approaches bringing with it greater profitability for the corporation, increases in revenues are assured. However, the economic expansion will eventually and inevitably turn into an economic contraction bringing with it decreases in revenues.

### **MANAGERIAL LESSON:**

The Superior CEO prepares for the worst during the times of the best. When the cycle of economic expansion approaches, the CEO must:

- 1) Get the most out of the expansion cycle:
  - a. Realize it is Heaven sent – there are no geniuses in a bull market.
  - b. Be determined and persevering in making the best of these Heaven sent times.
  - c. Hire the best employees.
  - d. Be condescending towards his employees:
    - Give them free reign to do their work.
    - Be splendid with the rewards for meritorious achievements.
  - e. Work very hard to make the most of this 7 fat cows period.
  - f. Keep in mind at all times the boom times will be followed by the bust times.
- 2) Prepare the corporation for the inevitable “approaching” future economic recession.

All cycles, including the economic ones, consist of expansions and contractions, with ups and downs following each other in periods of sevens. That is why, the I Ching warns the CEO to be careful because after the seventh period there will be a downturn in the economic cycle. The CEO, who prepares during the seven fat cows' period has nothing to fear during the seven thin cows' period.

*The I Ching says:* “If we meet evil before it becomes reality-before it has even begun to stir-we can master it”.

Here is beauty and wisdom from the I Ching to the CEO:

#### *THE IMAGE*

*The earth above the lake: The image of APPROACH.*

*Thus the superior man is inexhaustible*

- *In his will to teach, And (without limits)*
- *In his tolerance and protection of the people.*

*The earth borders upon the lake from above*

- *This symbolizes the*
  - *approach and*
  - *condescension of*
- *the man of higher position to*
  - *those beneath him.*
- *The two parts of the image indicate what his attitude toward these people will be.*
  - *Just as the lake is inexhaustible in depth,*
    - *so the sage is inexhaustible in his readiness to teach mankind, and*
  - *just as the earth is boundlessly wide, sustaining and caring for all creatures on it,*
    - *so the sage sustains and cares for all people and excludes no part of humanity.*

## **INVESTMENT ADVICE:**

In general terms, this is the Hexagram of Larry Ellison of Oracle accumulating wealth during the boom to be able to buy out those corporations that will not make it during the “Approaching” crash.

For the investor, the Approach is in general a favorable Time-Space to invest.

By itself (no lines) the Hexagram is positive in the beginning but warns the CEO of the future difficulties when the counter cycle begins.

*APPROACH has supreme success.  
Perseverance furthers.  
When the eighth month comes,  
There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next hexagram). We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

The lines are very favorable since four out of the six lines point to Good Fortune.

The following cases are those of corporations under the Approach Time-Space.

- **Citrix Systems, Inc. CTXS under CEO Mark B. Templeton**
- **Motorola Mobility Holdings Inc. MMI under CEO Sanjay K. Jha**

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure - dealing with the newly arrived economic expansion.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the first stage of the Approach Time-Space, the CEO must:

- *Not let himself be carried away by the current of the time;*
- *Adhere perseveringly to what is right.*

When the times of economic expansion arrive, many will advise the CEO to follow the latest trends; to take the corporation in directions it has never gone before.

**Managerial Advice:** The Superior CEO, when the economic expansion begins, meets it head on and firmly holds on to his managerial principles. He refuses to be tempted to follow any of the latest trends not matter how profitable they may seem, but rather stays the course and keeps doing what has made the corporation successful. The Superior CEO knows that only then will he be able to succeed without any regrets.

**Investment Advice:** Invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure - preparing for the recession as part of the economic cycles.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the second stage of the Approach Time-Space, the I Ching describes a talented CEO who knows how to recognize the opportunities of the economic expansion and goes on to meet the expansion to make the most of it by his own initiative. However, he also prepares for the coming recession, without allowing it to take him by surprise. This means both prosperity and security.

**Managerial Advice:** The Superior CEO:

- Knows that nothing lasts forever, that life is cyclical, and that expansion follows contraction.
- Knows the law of economic cycles therefore he accepts that both the economic expansion as well as the economic contraction are Heaven sent and has the strength and consistency to make the most of them. He has no cause for concern in knowing that the law of cycles is inevitable.
- Is always prepared and follows the I Ching’s advice: A CEO *“need not be confused by this universal law of fate. Everything serves to further. Therefore he will travel the paths of life swiftly, honestly, and valiantly”*.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure - in danger of losing his humility as a result of his success.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Approach Time-Space, a CEO, who has gotten meritorious recognition for making the most out of the economic cycle, runs the risk of losing his humility and thereby betraying his principles and lowering his self-imposed standards of excellence. He might be tempted to make deals with the wrong people.

**Managerial Advice:** The Superior CEO:

- Maintains a vigilant attitude throughout the time of success, and
- Is courageous enough to feel to the utmost the:
  - Full weight of his errors,
  - Responsibility of his high position.

A The Superior CEO is always open to feel the pain caused by his errors so as to overcome them and transcend.

Fortunately, in this case, the CEO manages to correct his attitude in time because he has become aware of the nature of his error.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure -searching for talented executives/employees who will make the most out of the cycle of economic expansion.

**Managerial Lesson:** Be unprejudiced.

**Managerial Warning:** At the fourth stage of the Approach Time-Space, the CEO must look for talented people outside the corporation should he find none within the corporation.

**Managerial Advice:** The Superior CEO:

- Conducts the search for talented executives in an open and honest way, without any prejudices.
- Bases the search on merit and managerial capacity as the sole criteria.
- Offers the talented executive a fair deal which must include a bonus directly proportionate to his results.
- Grants him the necessary trust and authority to manage the corporation.

Following such advice, the Superior CEO will be able to draw capable employees into the corporation. This will surely lead to success.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure - bringing in the best talent and delegating authority.

**Managerial Lesson:** Be trusting.

**Managerial Warning:** At the fifth stage of the Approach Time-Space, the CEO must have the wisdom to attract to himself employees who are experts in their own fields.

**Managerial Advice:** The Superior CEO:

- Chooses only executives of talent/merit.
- Gives them his trust and authority.
- Allows them to do their job and gets out of the way.

A CEO knows how to delegate responsibilities and authority and to keep himself on the sidelines so that the talented managers he chose can successfully carry out their mission.

*“Only through such self-restraint will he find the experts needed to satisfy all of his requirements”*

**Investment Advice:** Invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the “approaching” success and the “approaching” failure - searching for a capable executive among retired executives as well as from outside the corporation.

**Managerial Lesson:** Be open.

**Managerial Warning:** At the sixth stage of the Approach Time-Space, the CEO should look for men of knowledge and talent everywhere. In this particular case, he should look among retired personnel.

**Managerial Advice:** The CEO should honor such men by inviting them to participate in the decision making process. Such acquisition would deepen the knowledge of the corporation by allowing the younger executives to learn from them. This attitude from the CEO can only bring success to the corporation and a good reputation to the retired executives.

**Investment Advice:** Invest.



## MANAGERIAL CASES

### **Citrix Systems, Inc. CTXS under CEO Mark B. Templeton**

Mark B. Templeton's performance: ROI= 159.53%, Annualized Return: 9.88%  
SPY performance ROI= 2.39%, Annualized Return: 0.23%

Mark B. Templeton's has been CO of Citrix Systems since June 2001. Since then, his performance has been much superior to the SPY's.

Because he has been CEO for over a decade, we asked the Oracle once again about his future performance. His Time Space is the Approach which points to Supreme Success. Because there are no moving lines, there is no moving Hexagram and therefore the Judgment is the focusing point.

#### **Points the investor should consider:**

##### **1) THE HEXAGRAM**

*HEXAGRAM 19 – Lin - Approach*

*The Chinese word Lin has a range of meanings that is not exhausted by any single word of another language. The ancient explanations in the Book of Changes give as its first meaning, "becoming great." What becomes great are the two strong lines growing into the hexagram from below; the light-giving power expands with them. The meaning is then further extended to include the concept of approach, especially the approach of what is strong and highly placed in relation to what is lower. Finally the meaning includes the attitude of condescension of a man in high position toward the people, and in general the setting to work on affairs. This hexagram is linked with the twelfth month (January-February), when, after the winter solstice, the light power begins to ascend again.*

##### *THE JUDGMENT*

*APPROACH has supreme success.  
Perseverance furthers.  
When the eighth month comes,  
There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next*

hexagram). *We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

## 2) THE ADVICE

*The earth above the lake: The image of APPROACH.  
Thus the superior man is inexhaustible  
In his will to teach,  
And without limits  
In his tolerance and protection of the people.*

*The earth borders upon the lake from above 1. This symbolizes the approach and condescension of the man of higher position to those beneath him. The two parts of the image indicate what his attitude toward these people will be. Just as the lake is inexhaustible in depth, so the sage is inexhaustible in his readiness to teach mankind, and just as the earth is boundlessly wide, sustaining and caring for all creatures on it, so the sage sustains and cares for all people and excludes no part of humanity.*

## 3) THE LINES:

There are no moving lines

## 4) THE MOVING HEXAGRAM

There is no moving hexagram because there are no moving lines. The focus is on the Judgment.

## **Motorola Mobility Holdings Inc. MMI under CEO Sanjay K. Jha**

Sanjay Jha's Performance:	ROI= 44.20%	Annualized Return: 74.89%
SPY Performance	ROI= (4.02%)	Annualized Return: (6.10%)

Sanjay Jha became CEO of Motorola Mobility in June 2010. Since then, his performance has been much better than the SPY's. He properly "Approached" Google for a merger of both companies for a deal worth \$12.5 billion at \$40 a share. Managing such merger in such a short period of time is indeed Good Fortune as the sixth line indicates. Indeed, he has shown wisdom:

- *His wisdom consists both in*
  - *selecting the right people and in*
  - *allowing those chosen to have a free hand without interference from him.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Six in the fifth place means:*

*Wise approach.*

*This is right for a great prince.*

*Good fortune.*

- *A prince, or anyone in a leading position, must have the wisdom to attract to himself people of ability who are expert in directing affairs.*
- *His wisdom consists both in*
  - *selecting the right people and in*
  - *allowing those chosen to have a free hand without interference from him.*
- *For only through such self-restraint will he find the experts needed to satisfy all of his requirements.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 60 – Chieh - Limitation*

*A lake occupies a limited space. When more water comes into it, it overflows. Therefore limits must be set for the water. The image shows water below and water above, with the firmament between them as a limit.*

*The Chinese word for limitation really denotes the joints that divide a bamboo stalk. In relation to ordinary life it means the thrift that sets fixed limits upon expenditures. In relation to the moral sphere it means the fixed limits that the superior man sets upon his actions - the limits of loyalty and disinterestedness.*

*THE JUDGMENT*

*LIMITATION.*

*Success.*

*Galling limitation must not be persevered in.*

*Limitations are troublesome, but they are effective. If we live economically in normal times, we are prepared for times of want. To be sparing saves us from humiliation. Limitations are also indispensable in the regulation of world conditions. In nature there are fixed limits for summer and winter, day and night, and these limits give the year its meaning. In the same way, economy, by setting fixed limits upon expenditures, acts to preserve property and prevent injury to the people.*

*But in limitation we must observe due measure. If a man should seek to impose galling limitations upon his own nature, it would be injurious. And if he should go too far in imposing limitations on others, they would rebel. Therefore it is necessary to set limits even upon limitations*

### *THE IMAGE*

*Water over lake: the image of LIMITATION.  
Thus the superior man  
Creates number and measure,  
And examines the nature of virtue and correct conduct.*

*A lake is something limited. Water is inexhaustible. A lake can contain only a definite amount of the infinite quantity of water; this is its peculiarity. In human life too the individual achieves significance through discrimination and the setting of limits. Therefore what concerns us here is the problem of clearly defining these discriminations, which are, so to speak, the backbone of morality. Unlimited possibilities are not suited to man; if they existed, his life would only dissolve in the boundless. To become strong, a man's life needs the limitations ordained by duty and voluntarily accepted. The individual attains significance as a free spirit only by surrounding himself with these limitations and by determining for himself what his duty is.*

## **20 CONTEMPLATION –**

### **THE VISION – how the CEO sees the corporation and how others see the CEO.**

#### **MANAGERIAL ISSUE:**

The CEO – managing his corporate vision and his image.

Hexagram 20 focuses on the CEO's need to manage both:

- His vision of the corporation - how he views the corporation, given he can see very far because of his high position (as the Tower or the image of the Hexagram, he can see from up high), and
- His image as a role model – how he can serve as an example to others who see him high up and would want to emulate him (as a Tower, others can see him because he is up high).

Once he obtains the Vision for his corporation, the CEO must be ready to:

- Be personally transformed by the vision.
- Transform the corporation with his vision.

When Lou Gerstner became CEO of IBM in April of 1993, the first question reporters asked him was about his vision for the future of IBM. The I Ching wanted him to meditate over the events which had placed the corporation in such a difficult position, mainly IBM's arrogance and disdain for the smaller competitors. IBM could have been Cisco (they developed routers), could have been Oracle (they developed databases), could have been Microsoft, Intel, etc. Thanks to Gerstner's proper meditation which included faith and humility, Heaven came to his aid. Lou Gerstner got both right: the vision and the way to execute it.

Lou Gerstner's vision of IBM transformed the corporation and raised it from its low position to the high position where it used to be. His performance (from April 1993 to March 2003) was classic of a Superior CEO.

Lou Gerstner's performance:	ROI= 674.28%	Annualized Return= 25.55%
SPY's Performance:	ROI= 157.94%	Annualized Return= 11.11%

#### **MANAGERIAL LESSON:**

The Superior CEO works on a vision for the corporation. This is a very important managerial lesson.

The Superior CEO works on three basic issues:

1. The need to develop a vision for the corporation. The Superior CEO knows he must have a vision describing where he intends to take his corporation both in the short as well as in the long run. The CEO of SONY used to talk about his vision for SONY for the next 200 years with the same conviction most managers speak of their vision for next year. Any CEO, who

can generate a clear vision for his corporation for the next decade, has a great chance of being successful. Even politicians must have a vision. President Bush Sr. lost the elections because he was perceived as a man without a vision.

2. The way to generate this vision. The Superior CEO:

- Contemplates or meditates over the external and internal events, which affect or could affect his corporation. This must be done with humility, honesty and lots of faith. If he meets these requirements, the vision will come to him and will transform him. This is an excellent exercise for all CEOs, especially the new ones.

*contemplates*

- *the law of heaven above him and*
- *the ways of the people below,*

- Gets to the truth within and gets his vision for the corporation - the CEO must look for the truth within as well as without.
  - Develops an adequate attitude, which is similar to a religious reverence for the truth (the same obsession for the truth Ray Dalio has), to create the conditions for the vision to be revealed to him. This is indeed almost a mystical or a religious experience. In a way, the I Ching considers most leaders, whether they are CEOs or Presidents, as mystics. After all, they do share with the mystics the loneliness of being ultimately responsible for how their decisions affect the fate of many.
3. The CEO's personal transformation by the vision. Once the CEO has received the vision from Heaven, he will personally be transformed through his humility, faith, and conviction. And it is his personal transformation that will help him transform the executives and other employees. All employees will automatically follow him because they will sense the strength of his conviction. One practical way for a CEO to get a vision of where he should be taking the corporation is to apply the well-known managerial technique of "management by walking around". The more the CEO sees, listens and touches, the more in-depth and the more real his vision will be. Thus the CEO must visit all the branches of his company, all customers and providers, to become aware of any abnormal circumstance and fix it immediately according to his vision.

The actual way the I Ching recommends for the CEO to generate his Vision is a must read. If he is humble and wise, he should not be embarrassed by the religious connotations.

## **INVESTMENT ADVICE:**

For the investor, the general environment is not positive, even though there are some exceptions. A CEO of a corporation under the CONTEMPLATION Time-Space has the destiny of the corporation in his hands. He must be capable of meditating over the needs of the corporation, of generating the proper vision for the corporation, and of transforming the employees of the corporation. And he must be able to successfully lead the employees because of the conviction of his vision. Few CEOs can achieve such high goals.

For the investor, the Contemplation is in general a not so favorable Time-Space to invest.

By itself (no lines), the Hexagram is not positive because there is no guarantee the CEO will generate the vision required to lead the corporation.

#### CONTEMPLATION.

*The ablution has been made,  
But not yet the offering.  
Full of trust they look up to him.*

*The sacrificial ritual in China began with an ablution and a libation by which the Deity was invoked, after which the sacrifice was offered. The moment of time between these two ceremonies is the most sacred of all, the moment of deepest inner concentration. If piety is sincere and expressive of real faith, the contemplation of it has a transforming and awe-inspiring effect on those who witness it.*

*Thus also in nature a holy seriousness is to be seen in the fact that natural occurrences are uniformly subject to law. Contemplation of the divine meaning underlying the workings of the universe gives to the man who is called upon to influence others the means of producing like effects. This requires that power of inner concentration which religious contemplation develops in great men strong in faith. It enables them to apprehend the mysterious and divine laws of life, and by means of profoundest inner concentration they give expression to these laws in their own persons. Thus a hidden spiritual power emanates from them, influencing and dominating others without their being aware of how it happens.*

The lines are not very favorable because there is no single instance of Good Fortune or success.

The following cases are those of corporations under the Contemplation Time-Space:

- **The Travelers Companies, Inc. TRV under CEO Jay Fishman**
- **Cephalon Inc. CEPH under CEO J. Kevin Buchi**
- **CA Technologies CA under CEO William E. McCracken**

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing his corporate vision and his image - generating an incomplete vision because of his inexperience.

**Managerial Lesson:** Be certain.

**Managerial Warning:** At the first stage of the Contemplation Time-Space, the I Ching warns the inexperienced CEO he risks generating an incomplete vision because of his inexperience.

**Managerial Advice:** The Superior CEO knows:

- The act of Contemplation (meditation) to obtain a real vision for his corporation requires maturity to focus the meditation on pertinent matters rather than trivial ones. Only then will he get the whole picture.
- If he acts on his mistaken Contemplation (meditation), he will not really be transformed and no one will follow him because he will lack the necessary conviction; therefore, he will lead the corporation on the wrong path.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing his corporate vision and his image - generating an incomplete corporate vision because he fails to incorporate others.

**Managerial Lesson:** Be inclusive.

**Managerial Warning:** At the second stage of the Contemplation Time-Space, the CEO risks contemplating a limited one sided vision which will only include his point of view.

**Managerial Advice:** The Superior CEO knows the contemplation to obtain a corporate vision must be mature enough to include the opinions of others. He must walk in other men's shoes. His corporate vision must include the employees as well as the customers' point of view.

In this case, because his contemplation was not adequate, he will get the wrong vision, and the vision will not transform him.

Few CEOs can do what Steven Jobs did: generate a vision without taking into consideration the customers or anyone else's opinion. This is unusual and an exception that works for only a few CEOs.

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing his corporate vision and his image - changing from looking without to looking within for the vision.

**Managerial Lesson:** Be transcending.

**Managerial Warning:** At the third stage of the Contemplation Time-Space, the CEO might not get the proper corporate vision if he fails to transcend



From:

- looking without, which means generating a limited and confused corporate vision classic of a naïve and selfish CEO who perceives the corporate vision from his own point of view,

To:

- looking within, which means acquiring objectivity by reflecting upon the effects his corporate vision will create. This will give him guidance for his decisions.

**Managerial Advice:** The Superior CEO knows he must look upon the consequences of his actions. One way to obtain this vision from within is to meditate over the law of cause and effect, e.g. compensation - the proper compensation based on merit will lead to productive employees. He must not only look without, meaning doing the usual research to arrive at a vision, but he must also look within meaning visualizing the consequences of executing his vision. The CEO must have the capacity to contemplate within and generate an internal vision. This requires maturity and self-knowledge. His vision will in effect transform him and allow him to perceive the future and prepare for it.

In this case the vision is real because the CEO has looked at its effects including the point of view of everyone affected.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing his corporate vision and his image – finding the brilliant executive to help him with his vision.

**Managerial Lesson:** Be appreciative.

**Managerial Warning:** At the fourth stage of the Contemplation Time-Space, the CEO risks offending a brilliant executive who can help him with the vision by using him as a tool.

**Managerial Advice:** The Superior CEO is appreciative: when he finds a brilliant executive who can generate the proper vision to turn the corporation into a profitable one, he follows the I Ching's advice: The brilliant executive "*should be given an authoritative position, in which he can exert influence. He should be, so to speak, a guest - that is he should be honored and allowed to act independently, and should not be used as a tool*".

**Investment Advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing his corporate vision and his image - pondering on the results of his vision.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Contemplation Time-Space, the I Ching warns the CEO he must always be ready for self-examination to determine the effects his vision has produced. The CEO must be mature enough to both: generate a winning vision, and contemplate its progress to make the necessary corrections.

**Managerial Advice:** The Superior CEO knows that it is not enough to generate a vision. He must also constantly review its results and make the necessary corrections with the view of helping the corporation's customers and its employees. This should not be an exercise to stroke his ego for a job well done. This should be an exercise to constantly reinvent the corporation, much in the style of Apple and Steven Jobs. Only if the CEO's vision adds value to his customers and wealth to his employees should he consider himself successful.

**Investment Advice:** Do not invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The wisest of the CEOs – managing his corporate vision and his image – no ego, sheer goodness and concern for the corporation's customers and employees.

**Managerial Lesson:** Be blameless.

**Managerial Warning:** At the sixth stage of the Contemplation Time-Space, the I Ching describes a CEO who has found one of the highest points of managerial wisdom any CEO can find. He has so much knowledge, maturity and capacity, and his vision is so clear and precise that he requires little review of his actions because all his actions are for the good of humanity. There is no ego, only sheer goodness and concern for the corporation's customers. He acts with the will of Heaven. All his actions are in harmony with the fundamental laws of management and of men so that all his actions will be successful in the future.

**Managerial Advice:** The Superior CEO studies the laws of life in such depth as to become one with the Universe.

**Investment Advice:** Invest.

## **MANAGERIAL CASES**

### **The Travelers Companies, Inc. TRV under CEO Jay Fishman**

Jay S. Fishman performance:	ROI= 32.31%	Annualized Return= 3.91%
SPY performance	ROI= 14.20%	Annualized Return= 1.84%

Jay S. Fishman became CEO of The Travelers on April 1, 2004. Since then, his performance has been better than the SPY's. As the first line proves, his first year was terrible (humiliation) with a substantial drop on the price of the stock. However, he has improved with time.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 20 – Kuan - Contemplation (View)*

*A slight variation of tonal stress gives the Chinese name for this hexagram a double meaning. It means both contemplating and being seen, in the sense of being an example. These ideas are suggested by the fact that the hexagram can be understood as picturing a type of tower characteristic of ancient China.*

*A tower of this kind commanded a wide view of the country; at the same time, when situated on a mountain, it became a landmark that could be seen for miles around. Thus the hexagram shows a ruler who contemplates the law of heaven above him and the ways of the people below, and who, by means of good government, sets a lofty example to the masses.*

*This hexagram is linked with the eighth month (September - October). The light-giving power retreats and the dark power is again on the increase. However, this aspect is not material in the interpretation of the hexagram as a whole.*

#### **THE JUDGMENT**

##### **CONTEMPLATION.**

*The ablution has been made,  
But not yet the offering.  
Full of trust they look up to him.*

*The sacrificial ritual in China began with an ablution and a libation by which the Deity was invoked, after which the sacrifice was offered. The moment of time between these two ceremonies is the most sacred of all, the moment of deepest inner concentration. If piety is sincere and expressive of real faith, the contemplation of it has a transforming and awe-inspiring effect on those who witness it.*

*Thus also in nature a holy seriousness is to be seen in the fact that natural occurrences are uniformly subject to law. Contemplation of the divine meaning underlying the workings of the universe gives to the man who is called upon to influence others the means of producing like effects. This requires that power of inner concentration which religious contemplation develops in great men strong in faith. It enables them to apprehend the mysterious and divine laws of life, and by means of profoundest inner concentration they give expression to these laws in their own persons. Thus a hidden spiritual power emanates from them, influencing and dominating others without their being aware of how it happens.*

## 2) THE ADVICE

*The wind blows over the earth: The image of CONTEMPLATION.  
Thus the kings of old visited the regions of the world,  
Contemplated the people,  
And gave them instruction.*

*When the wind blows over the earth it goes far and wide and the grass must bend to its power. These two occurrences find confirmation in the hexagram. The two images are used to symbolize a practice of the kings of old; in making regular journeys the ruler could, in the first place, survey his realm and make certain that none of the existing usages of the people escaped notice; in the second, he could exert influence through which such customs as were unsuitable could be changed.*

*All of this points to the power possessed by a superior personality. On the one hand, such a man will have a view of the real sentiments of the great mass of humanity and therefore cannot be deceived; on the other, he will impress the people so profoundly, by his mere existence and by the impact of his personality, that they will be swayed by him as the grass by the wind.*

## 3) THE LINES:

Six at the beginning means:  
*Boy like contemplation.  
For an inferior man, no blame.  
For a superior man, humiliation.*

*This means contemplation from a distance, without comprehension. A man of influence is at hand, but his influence is not understood by the common people. This matters little in the case of the masses, for they benefit by the actions of the ruling sage whether they understand them or not. But for a superior man it is a disgrace. He must not content himself with a shallow, thoughtless view of prevailing forces; he must contemplate them as a connected whole and try to understand them.*

0 Nine at the top means:  
*Contemplation of his life.  
The superior man is without blame.*

*While the preceding line represents a man who contemplates himself, here in the highest place everything that is personal, related to the ego, is excluded. The picture is that of a sage who stands outside the affairs of the world. Liberated from his ego, he contemplates the laws of life and so realizes that knowing how to become free of blame is the highest good.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 03 – Chun - Difficulty at the Beginning*

*The name of the hexagram, Chun, really connotes a blade of grass pushing against an obstacle as it sprouts out of the earth hence the meaning, "difficulty at the beginning." The hexagram*

*indicates the way in which heaven and earth bring forth individual beings. It is their first meeting, which is beset with difficulties. The lower trigram Chen is the Arousing; its motion is upward and its image is thunder.*

*The upper trigram K'an stands for the Abysmal, the dangerous. Its motion is downward and its image is rain. The situation points to teeming, chaotic profusion; thunder and rain fill the air. But the chaos clears up. While the Abysmal sinks, the upward movement eventually passes beyond the danger. A thunderstorm brings release from tension, and all things breathe freely again.*

## THE JUDGMENT

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

## THE IMAGE

*Clouds and thunder: The image Of DIFFICULTY AT THE BEGINNING.  
Thus the superior man  
Brings order out of confusion.*

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*

*1. A different translation is possible here, which would result in a different interpretation:  
Difficulties pile up.  
Horse and wagon turn about.  
If the robber were not there,  
The wooer would come.  
The maiden is faithful, she does not pledge herself.  
Ten years-then she pledges herself.*

## THE JUDGMENT

### CONTEMPLATION.

*The ablution has been made,  
But not yet the offering.  
Full of trust they look up to him.*

## Cephalon Inc. CEPH under CEO J. Kevin Buchi

J. Kevin Buchi has been CEO of Cephalon since December 2010. It is still too early to evaluate his performance; however, the first line is pointing to the possibility he will struggle to get the proper vision for the corporation in the beginning.

### Points the investor should consider:

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six at the beginning means:

*Boy like contemplation.*

*For an inferior man, no blame.*

*For a superior man, humiliation.*

*This means contemplation from a distance, without comprehension. A man of influence is at hand, but his influence is not understood by the common people. This matters little in the case of the masses, for they benefit by the actions of the ruling sage whether they understand them or not. But for a superior man it is a disgrace. He must not content himself with a shallow, thoughtless view of prevailing forces; he must contemplate them as a connected whole and try to understand them.*

Six in the fourth place means:

*Contemplation of the light of the kingdom.*

*It furthers one to exert influence as the guest of a king.*

*This describes a man who understands the secrets by which a kingdom can be made to flourish. Such a man must be given an authoritative position, in which he can exert influence. He should be, so to speak, a guest - that is, he should be honored and allowed to act independently, and should not be used as a tool.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 25 - Wu Wang - Innocence (The Unexpected)*

*Ch'ien, heaven, is above; Chen, movement, is below. The lower trigram Chen is under the influence of the strong line it has received from above, from heaven. When, in accord with this, movement follows the law of heaven, man is innocent and without guile. His mind is natural and true, unshadowed by reflection or ulterior designs. For wherever conscious purpose is to be seen, there the truth and innocence of nature have been lost. Nature that is not directed by the spirit is not true but degenerate nature. Starting out with the idea of the natural, the train of thought in part goes somewhat further and thus the hexagram includes also the idea of the unintentional or unexpected.*

#### **THE JUDGMENT**

*INNOCENCE. Supreme success.  
Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.*

*Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.*

*Confucius says about this:*

*"He who departs from innocence, what does he come to? Heaven's will and blessing do not go with his deeds."*

#### **THE IMAGE**

*Under heaven thunder rolls: All things attain the natural state of innocence.  
Thus the kings of old, rich in virtue, and in harmony with the time,  
Fostered and nourished all beings.*

*In springtime when thunder, life energy, begins to move again under the heavens, everything sprouts and grows, and all beings receive from the creative activity of nature the childlike innocence of their original state. So it is with the good rulers of mankind: drawing on the*

*spiritual wealth at their command, they take care of all forms of life and all forms of culture and do everything to further them, and at the proper time.*

## **CA Technologies CA under CEO William E. McCracken**

William E. McCracken has been CEO of CA Technologies since January 2010. It is still too early to evaluate his performance. However, the Oracle warns him he is in a place of transition.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six in the third place means:  
Contemplation of my life  
Decides the choice  
Between advance and retreat.*

*This is the place of transition. We no longer look outward to receive pictures that are more or less limited and confused, but direct our contemplation upon ourselves in order to find a guideline for our decisions. This self-contemplation means the overcoming of naive egotism in the person who sees everything solely from his own standpoint. He begins to reflect and in this way acquires objectivity. However, self-knowledge does not mean preoccupation with one's own thoughts; rather, it means concern about the effects one creates. It is only the effects our lives produce that give us the right to judge whether what we have done means progress or regression.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 53 – Chien - Development (Gradual Progress)*

*This hexagram is made up of Sun (wood, penetration) above, i.e., without, and Ken (mountain, stillness) below, i.e., within. A tree on a mountain develops slowly according to the law of its being and consequently stands firmly rooted. This gives the idea of a development that*



*proceeds gradually, step by step. The attributes of the trigrams also point to this: within is tranquility, which guards against precipitate actions, and without is penetration, which makes development and progress possible.*

## THE JUDGMENT

### DEVELOPMENT.

*The maiden*

*Is given in marriage.*

*Good fortune.*

*Perseverance furthers.*

*The development of events that leads to a girl's following a man to his home proceeds slowly. The various formalities must be disposed of before the marriage takes place. This principle of gradual development can be applied to other situations as well; it is always applicable where it is a matter of correct relationships of co-operation, as for instance in the appointment of an official. The development must be allowed to take its proper course. Hasty action would not be wise. This is also true, finally, of any effort to exert influence on others, for here too the essential factor is a correct way of development through cultivation of one's own personality.*

*No influence such as that exerted by agitators has a lasting effect. Within the personality too, development must follow the same course if lasting results are to be achieved. Gentleness that is adaptable, but at the same time penetrating, is the outer form that should proceed from inner calm. The very gradualness of the development makes it necessary to have perseverance, for perseverance alone prevents slow progress from dwindling to nothing.*

## THE IMAGE

*On the mountain, a tree: The image of DEVELOPMENT.*

*Thus the superior man abides in dignity and virtue,*

*In order to improve the mores.*

*The tree on the mountain is visible from afar, and its development influences the landscape of the entire region. It does not shoot up like a swamp plant; its growth proceeds gradually. Thus also the work of influencing people can be only gradual. No sudden influence or awakening is of lasting effect. Progress must be quite gradual, and in order to obtain such progress in public opinion and in the mores of the people, it is necessary for the personality to acquire influence and weight. This comes about through careful and constant work on one's own moral development.*

## **21 BITING THROUGH**

### **MANAGERIAL ISSUE:**

The CEO – resolutely biting through/executing his punishment for the benefit of the corporation

Hexagram 21 focuses on the CEOs need to bite through or to be resolute in his efforts to reach his goals. Hexagram 21 has the shape of an open mouth ready to eat, with something hard between its teeth preventing it from closing shut. Under these circumstances, the I Ching recommends that the only way to accomplish the objective of eating is to bite through with all the strength and decision possible to break any obstacles. This points out that sometimes, the only out for the CEO is to apply brute force to overcome any obstacles or to punish the guilty.

### **MANAGERIAL LESSON:**

The Superior CEO:

- 1) When he finds something or someone (internal or external - such as a suit) that opposes the union or consolidation of his corporation or threatens it in anyway, will ruthlessly eliminate it on the spot and will do it with all his might. The Superior CEO realizes that any problem in whatever form it might come, or anyone who undermines the main objective of the corporation is harmful for the corporation and should be eliminated.
  - If the problem is a person, he is someone who will never agree with the CEO, and if he stays for long he will become a permanent threat to the corporation. By acting with all his strength and energy and making an example out of him, the CEO will be sending a very clear message for others to avoid that kind of behavior. The employees will understand that the CEO can act without fear and inflict damage when and if necessary. Nevertheless, the act of punishment should be justified or it would become an act of vengeance. In this way no one will fear but rather hate the CEO. The CEO's strength consists in knowing he has the power.
  - If the problem is external, he must attack it resolutely (e.g. a lawsuit with a battery of lawyers.)
- 2) Makes sure everyone follows the rules of the corporation and punishes anyone who breaks them, regardless of rank. Law and compliance must have a real meaning. However, the Superior CEO differentiates between minor and major faults. He knows a CEO must have a very clear idea as to the difference between those acts that endanger the corporation and are very serious and those acts that do not endanger the corporation and should be considered minor transgressions. The Superior CEO also knows how to apply the necessary punishment according to the seriousness of the situation. The punishment must be clear, it must mark a clear difference between an act of just punishment and an act of vengeance, and it must be promptly executed. Only then will the employees follow and respect the rules.

- The I Ching says: *“Penalties are the individual applications of the law. The laws specify the penalties. Clarity prevails when mild and severe penalties are clearly differentiated, according to the nature of the crimes. This is symbolized by the clarity of lightning. The law is strengthened by a just application of penalties. This is symbolized by the terror of thunder. This clarity and severity have the effect of instilling respect; it is not that the penalties are ends in themselves. The obstructions in the social life of man increase when there is lack of clarity in the penal codes and slackness in executing them. The only way to strengthen the law is to make it clear and to make penalties certain and swift”.*

## **INVESTMENT ADVICE:**

For the investor, the Biting Through is in general an unfavorable Time-Space to invest.

By itself (no lines) the Hexagram is positive because it points to success provided the CEO knows how to administer justice.

*BITING THROUGH has success.  
It is favorable to let justice be administered.*

*When an obstacle to union arises, energetic biting through brings success. This is true in all situations. Whenever unity cannot be established, the obstruction is due to a talebearer and traitor who is interfering and blocking the way. To prevent permanent injury, vigorous measures must be taken at once. Deliberate obstruction of this sort does not vanish of its own accord. Judgment and punishment are required to deter or obviate it.*

*However, it is important to proceed in the right way. The hexagram combines Li, clarity, and Chen, excitement. Li is yielding, Chen is hard. Unqualified hardness and excitement would be too violent in meting out punishment; unqualified clarity and gentleness would be too weak. The two together create the just measure. It is of moment that the man who makes the decisions (represented by the fifth line) is gentle by nature, while he commands respect by his conduct in his position.*

The lines are not very favorable. Only the fourth line points to Good Fortune. A CEO under the Biting Through Time-Space has to overcome obstacles with utmost determination. Under such difficult circumstances, most CEOs fail.

The following cases are those of corporations under the Biting Through Time-Space:

- **Merck & Co. Inc. MRK under CEO Kenneth C. Frazier**

## **THE LINES:**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation – punishing a first time offender to correct behavior

**Managerial Lesson:** Be forgiving.

**Managerial Warning:** At the first stage of the Biting Through Time-Space, the I Ching warns the CEO he should be mild in punishing a first time offender.

**Managerial Advice:** The Superior CEO:

- Understands that punishment for a first time offender should be quick but light because the damage is light. By executing his punishment fairly and quickly, the Superior CEO manages to stop the damage before it gets worst. This is good for the corporation and for the guilty party.
- Is smart enough to turn defeats into victories and failures into success because he can still correct and save the guilty employee and eventually incorporate him into a managerial position. The application of the punishment will not end up in an immediate profitable situation, but will create the proper environment for harmony in the corporation.

What would have happened if Walter Wriston of Citibank had fired John Reed for his mistakes in issuing Visa cards to the wrong people? Or if Thomas Watson of IBM had fired the manager who had cost him \$10 million (“How can I fire you? We just spent \$10 million educating you”). The Superior CEO knows what Henry Ford would always say: “Failure is the opportunity to begin again more intelligently”

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation – incurring in excessive punishment.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the second stage of the Biting Through Time-Space, the I Ching describes a CEO who finds a guilty party who is very much set in his ways of doing what he pleases and in getting away with it. The CEO over reacts in the punishment because he lets himself be carried away by his anger, deeply affecting his objectivity.

**Managerial Advice:** The Superior CEO never lets anger carry him away when applying punishments, even if people eventually find the punishment acceptable and no harm comes out of it.

However, the I Ching advises the CEO that in this particular case, it is better to go overboard in punishing rather than letting the guilty party go unpunished.

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation - punishing without authority.

**Managerial Lesson:** Be credible.

**Managerial Warning:** At the third stage of the Biting Through Time-Space, the I Ching describes a CEO who finds the guilty party but does not have yet enough authority to apply the necessary punishment. This makes the guilty party, who during a long time has abused his position within the corporation, feel even stronger.

**Managerial Advice:** The I Ching advises the Board of Directors as well as the Superior CEO as follows:

- The Board of Directors must give the CEO sufficient power and authority together with the responsibilities, so that he may punish any employee as he sees best fit, and
- The Superior CEO must apply the punishments and be resolute (Biting Through) in carrying them out even if he does not have sufficient authority. In this way he will reach his objective, obtain the favor of Heaven and succeed.

In this case, the CEO manages to apply the punishment and to hold firmly to his position. Even though he passes through very difficult moments because of the internal fight his punishment causes within the corporation, he applies it without harming the corporation or his own reputation. In the end, however, the CEO's punishment is not beneficial for the corporation.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation - punishing a very powerful group within the company

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the fourth stage of the Biting Through Time-Space, the I Ching warns the CEO he has to punish powerful opponents.

**Managerial Advice:** The Superior CEO:

- Applies the punishment even though it will be difficult to do so. And

- Keeps an inflexible position in applying the punishment even though it might take time. The Superior CEO knows he will eventually be proven right and save the corporation. The punishment is beneficial for the corporation.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation - facing the danger of wavering in punishing the guilty.

**Managerial Lesson:** Be persevering.

**Managerial Warning:** At the fifth stage of the Biting Through Time-Space, the I Ching describes a CEO who knows the guilty parties and their misdeeds; nevertheless, because of his natural tendency to be lenient, he fails to apply any punishment. The I Ching warns the CEO that to avoid applying punishments because of one's own personal feelings will be bad managerial practice. A CEO is weak if he only emphasizes the positive and does not have the inner strength to apply any punishment. The lack of punishment is harmful to the corporation.

**Managerial Advice:** The Superior CEO is aware that when he assumes his leadership role, he assumes a heavy responsibility. Such heavy responsibility implies risks and dangers. If the CEO maintains awareness of such risks and dangers, he will avoid making mistakes. The Superior CEO is true, fair and impartial.

**Investment Advice:** Do not invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – resolutely biting through in his punishments for the benefit of the corporation – deliberately failing to punish his own and worst offender.

**Managerial Lesson:** Be impartial.

**Managerial Warning:** At the sixth stage of the Biting Through Time-Space, the I Ching describes an incorrigible CEO who refuses to listen when it comes to the guilt of some of his managers. He fails in both: his resoluteness to eliminate them on the spot, and his use of the strength the Biting Through Time-Space demands. No CEO is blinder than the CEO who refuses to see.

**Managerial Advice:** The Superior CEO recognizes that if he wants to be able to apply the necessary punishments to keep order, he must be willing to accept the guilt of others, especially of his closest aides.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Merck & Co. Inc. MRK under CEO Kenneth C. Frazier**

Kenneth C. Frazier became CEO of Merck on December 1, 2011. It is still too early to measure his performance; however, as the top line warns him, he will have an extremely difficult time with the Biting Through Time-Space. May be the Moving Hexagram will cause him so much shock that he will mend his ways.

#### Points the investor should consider:

##### 1) THE HEXAGRAM

*HEXAGRAM 21 - Shih Ho - Biting Through*

*This hexagram represents an open mouth (cf. hexagram 27) with an obstruction (in the fourth place) between the teeth. As a result the lips cannot meet. To bring them together one must bite energetically through the obstacle. Since the hexagram is made up of the trigrams for thunder and for lightning, it indicates how obstacles are forcibly removed in nature. Energetic biting through overcomes the obstacle that prevents joining of the lips; the storm with its thunder and lightning overcomes the disturbing tension in nature. Recourse to law and penalties overcomes the disturbances of harmonious social life caused by criminals and slanderers. The theme of this hexagram is a criminal lawsuit, in contradistinction to that of Sung, CONFLICT (6), which refers to civil suits.*

##### *THE JUDGMENT*

*BITING THROUGH has success.  
It is favorable to let justice be administered.*

*When an obstacle to union arises, energetic biting through brings success. This is true in all situations. Whenever unity cannot be established, the obstruction is due to a talebearer and traitor who is interfering and blocking the way. To prevent permanent injury, vigorous measures must be taken at once. Deliberate obstruction of this sort does not vanish of its own accord. Judgment and punishment are required to deter or obviate it.*

*However, it is important to proceed in the right way. The hexagram combines Li, clarity, and Chen, excitement. Li is yielding, Chen is hard. Unqualified hardness and excitement would be too violent in meting out punishment; unqualified clarity and gentleness would be too weak. The two together create the just measure. It is of moment that the man who makes the decisions (represented by the fifth line) is gentle by nature, while he commands respect by his conduct in his position.*

## 2) THE ADVICE

*Thunder and lightning: The image Of BITING THROUGH.  
Thus the kings of former times made firm the laws  
Through clearly defined penalties.*

*Penalties are the individual applications of the law. The laws specify the penalties. Clarity prevails when mild and severe penalties are clearly differentiated, according to the nature of the crimes. This is symbolized by the clarity of lightning. The law is strengthened by a just application of penalties. This is symbolized by the terror of thunder. This clarity and severity have the effect of instilling respect; it is not that the penalties are ends in themselves. The obstructions in the social life of man increase when there is lack of clarity in the penal codes and slackness in executing them. The only way to strengthen the law is to make it clear and to make penalties certain and swift.*

## 3) THE LINES:

*Nine at the top means:  
His neck is fastened in the wooden cangue,  
So that his ears disappear.  
Misfortune.*

*In contrast to the first line, this line refers to a man who is incorrigible. His punishment is the wooden cangue, and his ears disappear under it-that is to say, he is deaf to warnings. This obstinacy leads to misfortune.<sup>2</sup>*

2. *It should be noted here that there is an alternative interpretation of this hexagram, based on the idea, "Above, light (the sun); below, movement." in this interpretation the hexagram symbolizes a market below, full of movement, while the sun is shining in the sky above. The allusion to meat suggests that it is a food market. Gold and arrows are articles of trade. The disappearance of the nose means the vanishing of smell, that is, the person in question is not covetous. The idea of poison points to the dangers of wealth, and so on throughout.*

*On the subject of the nine at the top Confucius says:  
"If good does not accumulate, it is not enough to make a name for a man. If evil does not accumulate, it is not strong enough to destroy a man. Therefore the inferior man thinks to himself, 'Goodness in small things has no value,' and so neglects it. He thinks, 'Small sins do no harm,' and so does not give them up. Thus his sins accumulate until they can no longer be covered up, and his guilt becomes so great that it can no longer be wiped out."*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 51 – Chen - The Arousing (Shock, Thunder)*

*The hexagram Chen represents the eldest son, who seizes rule with energy and power. A yang line develops below two yin lines and presses upward forcibly. This movement is so violent that it arouses terror. It is symbolized by thunder, which bursts forth from the earth and by its shock causes fear and trembling.*



## THE JUDGMENT

*Shock brings success.  
Shock comes-oh, oh!  
Laughing words-ha, ha!  
The shock terrifies for a hundred miles,  
And he does not let fall the sacrificial spoon and chalice.*

*The shock that comes from the manifestation of God within the depths of the earth makes man afraid, but this fear of God is good, for joy and merriment can follow upon it.*

*When a man has learned within his heart what fear and trembling mean, he is safeguarded against any terror produced by outside influences. Let the thunder roll and spread terror a hundred miles around: he remains so composed and reverent in spirit that the sacrificial rite is not interrupted. This is the spirit that must animate leaders and rulers of men - a profound inner seriousness from which all outer terrors glance off harmlessly.*

## THE IMAGE

*Thunder repeated: the image of SHOCK.  
Thus in fear and trembling  
The superior man sets his life in order  
And examines himself.*

*The shock of continuing thunder brings fear and trembling. The superior man is always filled with reverence at the manifestation of God; he sets his life in order and searches his heart, lest it harbor any secret opposition to the will of God. Thus reverence is the foundation of true culture.*

## **22 GRACE**

### **MANAGERIAL ISSUE:**

The superficial CEO – managing the graceful and beautiful but superficial rather than the fundamental.

Hexagram 22 focuses on the CEO's need to manage with the fundamental rather than the graceful or superficial. The I Ching describes a CEO who might not be the type who will make a deep analysis of the corporation's main issues; therefore, is rarely in a position to decide, correct or guide. His focusing on the corporate image, the graceful and the ornamental, no matter how beautiful the superficial might be, leads him to make serious mistakes. It is of no use to focus on the lipstick on the pig. One can easily envision the Emperor worrying about the formalities of the court while the Mongol Army or while the Japanese Army was invading China. Or what about Stan O'Neal playing golf or Jimmy Cayne smoking pot and playing bridge while their respective corporations (Merrill Lynch and Bear Sterns) were going down the toilet?

### **MANAGERIAL LESSON:**

The I Ching warns the CEO that dealing with the superficial is acceptable provided the corporation is very successful. Otherwise, the CEO should always stay focused on the most relevant issues that affect the corporation or on matters that require immediate attention. Even though there might be a small spot in the corporation for the artificial and the trivial, the Superior CEO knows success comes from emphasizing the really fundamental matters.

### **INVESTMENT ADVICE:**

For the investor, the Grace (Ornamental) is in general an unfavorable Time-Space to invest.

The investor should keep in mind that, even though this corporation appears very attractive, it could be only an ornamental façade both in terms of its image without substance and in terms of superficial corporate thinking.

By itself (no lines) the Hexagram is positive because it points to success provided the CEO undertakes something.

*GRACE has success.*

*In small matters*

*It is favorable to undertake something.*

*Grace brings success. However, it is not the essential or fundamental thing; it is only the ornament and must therefore be used sparingly and only in little things. In the lower trigram of fire a yielding line comes between two strong lines and makes them beautiful, but the strong*

lines are the essential content and the weak line is the beautifying form. In the upper trigram of the mountain, the strong line takes the lead, so that here again the strong element must be regarded as the decisive factor. In nature we see in the sky the strong light of the sun; the life of the world depends on it. But this strong, essential thing is changed and given pleasing variety by the moon and the stars. In human affairs, aesthetic form comes into being when traditions exist that, strong and abiding like mountains, are made pleasing by a lucid beauty. By contemplating the forms existing in the heavens we come to understand time and its changing demands. Through contemplation of the forms existing in human society it becomes possible to shape the world. 1

1. This hexagram shows tranquil beauty-clarity within, quiet without. This is the tranquility of pure contemplation. When desire is silenced and the will comes to rest, the world-as-idea becomes manifest. In this aspect the world is beautiful and removed from the struggle for existence. This is the world of art. However, contemplation alone will not put the will to rest absolutely. It will awaken again, and then all the beauty of form will appear to have been only a brief moment of exaltation. Hence this is still not the true way of redemption. For this reason Confucius felt very uncomfortable when once, on consulting the Oracle, he obtained the hexagram of GRACE.

Only the third and the fifth (conditionally) lines point to Good Fortune.

The following cases are those of corporations under the GRACE Time-Space.

- O'Reilly Automotive Inc. ORLY under CEO Gregory Henslee

## THE LINES

### NINE IN THE FIRST PLACE

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental - needing humility to face reality.

**Managerial Lesson:** Be true/real.

**Managerial Warning:** At the first stage of the Grace (Ornamental) Time-Space, the I Ching warns the CEO that only an inferior CEO would reach his goals in a sneaky manner using the help of questionable assistants and applying questionable methods. Such inferior CEO will be tempted to “put some lipstick on the corporate pig”; that is, to doctor up the balance sheet or to create a positive impression of the corporation’s difficulties.

**Managerial Advice:** The Superior CEO never cuts corners. He seeks and embraces the truth rather than adorn what is bad. He refuses to work under false pretenses.

**Investment Advice:** Do not invest

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental – distracted by superficial issues.

**Managerial Lesson:** Be modest.

**Managerial Warning:** At the second stage of the Grace (Ornamental) Time-Space, the inferior CEO is vain and only concerned with superficial issues. These actions will have disastrous consequences for the corporation. There is no way out for his delusion.

**Managerial Advice:** The Superior CEO is modest. He focuses on content, on the fundamentals, and on what is real.

**Investment Advice:** Do not invest.

## **NINE IN THE THIRD PLACE**

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental – superficiality as a strategy.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the third stage of the Grace (Ornamental) Time-Space, the inferior CEO is fascinated and intoxicated by the superficial or ornamental. Superficial adornment will overwhelm him and lead him to procrastination.

**Managerial Advice:** The Superior CEO is faithful to his principles. He will remain focused on the fundamentals. The superficial will not overwhelm him.

**Investment Advice:** Invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental– choosing between the superficial and the fundamental.

**Managerial Lesson:** Be transcendent.

**Managerial Warning:** At the fourth stage of the Grace (Ornamental) Time-Space, the inferior CEO is hesitant and undecided. He will not know whether to continue giving emphasis to the superficial issues or to deal with the more profound and real issues confronting the corporation. When choosing, he will be tempted to choose the superficial and ornamental.

**Managerial Advice:** The Superior CEO:

1. Faces the agony of deciding. The experience is positive because it implies he is on his way to solving the problem.

2. Finds the will to decide by:
  - a. Relying on the help of an external advisor, and
  - b. Transcending beyond whatever surrounds him. This, he knows must be done by a personal transformation brought about by a thorough and deep self-analysis. Only then will he be able to see and choose properly.
3. Gives up the superficial in spite of the benefits and personal pleasures this implies and chooses to deal with the truth.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental – transforming himself with the help of new advisors.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fifth stage of the Grace (Ornamental) Time-Space, the inferior CEO:

1. Rejects the superficial and parts from those executives in the corporation who only think of the superficial rather than of what could truly improve the corporation.
2. Finds the proper advisors who reject the ornamental. He will attempt to bring them into the corporation by material offerings but is rejected and feels humiliated.

**Managerial Advice:** The Superior CEO:

- Needs not fear their rejection.
- Realizes the proper offering to win them over is spiritual rather than material.
- Will be successful because of his humility in accepting the need for change and his strategic parting from all those who look for the superficial.

**Investment Advice:** Invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The superficial CEO – managing the graceful, and beautiful but superficial rather than the fundamental – successfully changing the corporation's thinking from the superficial to the fundamental.

**Managerial Lesson:** Be revolutionary.

**Managerial Warning:** At the sixth stage of the Grace (Ornamental) Time-Space, the CEO must change the corporation's managers and its philosophy from the superficial to something more profound. In this way the corporation will find its character, redefine its mission and be successful.

**Managerial Advice:** The Superior CEO knows that:

- the more he knows his corporation, the more realistic he will be about its objectives, and the faster he will discard the ornamental.
- the faster he will convince the employees to support the goals based on the fundamentals, the faster the corporation will succeed.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### O'Reilly Automotive Inc. ORLY under CEO Gregory Henslee

Gregory L. Henslee's Performance:	ROI= 134.15%	Annualized Return= 14.10%
SPY performance	ROI= ( 1.11%)	Annualized Return= ( 0.17%)

Gregory L. Henslee became CEO of O'Reilly Automotive Inc. on February 24, 2005.

The line: It would be interesting to have the CEO interpret the meaning of the fifth line.

The judgment: *Humiliation, but in the end good fortune.* is a bit easier to interpret:

- Humiliation – when he became CEO, the price level was \$24.92. For the next three years, the price level remained either at the same level or below. For a CEO must be humiliating to see the price level remain stagnant.
- In the end good fortune - from 2009, when the SPY began its recovery, he began to outperform the SPY. That would be the good fortune in the end.

### Points the investor should consider:

#### 1) THE HEXAGRAM

HEXAGRAM 22 – Pi - Grace

*This hexagram shows a fire that breaks out of the secret depths of the earth and, blazing up, illuminates and beautifies the mountain, the heavenly heights. Grace - beauty of form - is necessary in any union if it is to be well ordered and pleasing rather than disordered and chaotic.*

THE JUDGMENT

GRACE has success.

*In small matters*

*It is favorable to undertake something.*

*Grace brings success. However, it is not the essential or fundamental thing; it is only the ornament and must therefore be used sparingly and only in little things. In the lower trigram of fire a yielding line comes between two strong lines and makes them beautiful, but the strong lines are the essential content and the weak line is the beautifying form. In the upper trigram of the mountain, the strong line takes the lead, so that here again the strong element must be regarded as the decisive factor. In nature we see in the sky the strong light of the sun; the life of the world depends on it. But this strong, essential thing is changed and given pleasing variety by the moon and the stars. In human affairs, aesthetic form comes into being when traditions exist that, strong and abiding like mountains, are made pleasing by a lucid beauty. By contemplating the forms existing in the heavens we come to understand time and its changing demands. Through contemplation of the forms existing in human society it becomes possible to shape the world. 1*

1. *This hexagram shows tranquil beauty-clarity within, quiet without. This is the tranquility of pure contemplation. When desire is silenced and the will comes to rest, the world-as-idea becomes manifest. In this aspect the world is beautiful and removed from the struggle for existence. This is the world of art. However, contemplation alone will not put the will to rest absolutely. It will awaken again, and then all the beauty of form will appear to have been only a brief moment of exaltation. Hence this is still not the true way of redemption. For this reason Confucius felt very uncomfortable when once, on consulting the Oracle, he obtained the hexagram of GRACE.*

## **2) THE ADVICE**

*Fire at the foot of the mountain: The image of GRACE.  
Thus does the superior man proceed  
When clearing up current affairs.  
But he dare not decide controversial issues in this way.*

*The fire, whose light illuminates the mountain and makes it pleasing, does not shine far; in the same way, beautiful form suffices to brighten and to throw light upon matters of lesser moment, but important questions cannot be decided in this way. They require greater earnestness.*

## **3) THE LINES:**

*Six in the fifth place means:  
Grace in hills and gardens.  
The roll of silk is meager and small.  
Humiliation, but in the end  
good fortune.*

*A man withdraws from contact with people of the lowlands, who seek nothing but magnificence and luxury, into the solitude of the heights. There he finds an individual to look up to, whom he would like to have as a friend. But the gifts he has to offer are poor and few, so that he feels ashamed. However, it is not the material gifts that count, but sincerity of feeling and so all goes well in the end.*

#### 4) THE MOVING HEXAGRAM

##### HEXAGRAM 37 - Chia Jen - The Family (The Clan)

*This hexagram represents the laws obtaining within the family. The strong line at the top represents the father, the lowest the son. The strong, line in the fifth place represents the husband, the yielding second line the wife. On the other hand, the two strong lines in the fifth and the third place represent two brothers, and the two weak lines correlated with them in the fourth and the second place stand for their respective wives. Thus all the connections and relationships within the family find their appropriate expression. Each individual line has the character according with its place. The fact that a strong line occupies the sixth place -where a weak line might be expected - indicates very clearly the strong leadership that must come from the head of the family. The line is to be considered here not in its quality as the sixth but in its quality as the top line. THE FAMILY shows the laws operative within the household that, transferred to outside life, keep the state and the world in order. The influence that goes out from within the family is represented by the symbol of the wind created by fire.*

##### THE JUDGMENT

##### THE FAMILY

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.*

*Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.*

##### THE IMAGE

*Wind comes forth from fire: The image Of THE FAMILY.  
Thus the superior man has substance in his words  
And duration in his way of life.*

*Heat creates energy: this is signified by the wind stirred up by the fire and issuing forth from it. This represents influence working from within outward. The same thing is needed in the*



*regulation of the family. Here too the influence on others must proceed from one's own person. In order to be capable of producing such an influence, one's words must have power, and this they can have only if they are based on something real, just as flame depends on its fuel. Words have influence only when they are pertinent and clearly related to definite circumstances. General discourses and admonitions have no effect whatsoever. Furthermore, the words must be supported by one's entire conduct, just as the wind is made effective by its duration. Only firm and consistent conduct will make such an impression on others that they can adapt and conform to it. If words and conduct are not in accord and not consistent, they will have no effect.*

## 23 SPLITTING APART

### MANAGERIAL ISSUE:

The CEO – managing the corporation’s splitting apart

Hexagram 23 focuses on the CEO’s willpower to hold the corporation almost all by himself.

The I Ching draws a Hexagram of five YIN lines (broken lines) at the bottom and only one YANG line (whole line) at the top, forming the shape of a structure of a house, which is about to collapse.

Here we have the classic fight between good and evil. The CEO is surrounded by a group of inferior executives (the five Yin lines at the bottom), who significantly outnumber the CEO and his group of a few Superior executives (the only Yang line on top). The negative forces, which are brought about by the inferior executives is too strong for the Superior CEO and his group. The end result will be an inevitable collapse.

This is a matter of seasonality and beyond the Superior CEO’s powers to stop it. No CEO can overcome these circumstances. The strategy of the inferior executives is not one of open warfare but rather the typical weapons of the cowards – constantly conspire, speak evil, heap lies, create uncertainty, and the usual undermining of the Superior CEO. Eventually, however, these inferior executives will self-destruct for such is the fate of evil and ignorance. That is why the Superior CEO is patient and waits until their destruction takes place. Their evil tower will collapse taking with it the rest of the inferior executives because its administrative bases are corrupt.

What makes their thinking so destructive? NEGATION (denial) of the facts. A policy so destructive that not only can destroy a corporation but the inferior executives as well.

- The I Ching says: *“Evil is not destructive to the good alone but inevitably destroys itself as well. For evil, which lives solely by **negation**, cannot continue to exist on its own strength alone. The inferior man himself fares best when held under control by a superior man.”*

### MANAGERIAL LESSON:

The Superior CEO:

1. Accepts the corporation is on the YIN or dark side of the cycle.
2. Realizes:
  - This is a matter of seasonality and has nothing to do with him personally.
  - The seasonality has changed from increase to decrease.

- Acceptance of the inevitability of the cycles is not an act of cowardice but rather of wisdom.
- The start of new projects must be avoided.
- Evil self-destructs – he will accelerate its destruction if he accepts the law of seasonality rather than fight it.
- He must face the inferior executives with dignity.
- He must be kind and very generous with all his employees.
- Prepare for better times to arrive.

## **INVESTMENT ADVICE:**

For the investor, the Splitting Apart is in general an unfavorable Time-Space to invest. How could it be favorable when the corporation is Splitting Apart, when the inferior executives are conspiring against the CEO, and when the only way out for the Superior CEO is to wait until their evil influence in the corporation finally collapses?

By itself (no lines) the Hexagram is not positive because it warns the CEO not to act.

### **SPLITTING APART.**

*It does not further one  
To go anywhere.*

*This pictures a time when inferior people are pushing forward and are about to crowd out the few remaining strong and superior men. Under these circumstances, which are due to the time, it is not favorable for the superior man to undertake anything.*

*The right behavior in such adverse times is to be deduced from the images and their attributes. The lower trigram stands for the earth, whose attributes are docility and devotion. The upper trigram stands for the mountain, whose attribute is stillness. This suggests that one should submit to the bad time and remain quiet. For it is a question not of man's doing but of time conditions, which, according to the laws of heaven, show an alternation of increase and decrease, fullness and emptiness. It is impossible to counteract these conditions of the time. Hence it is not cowardice but wisdom to submit and avoid action.*

None of the lines point to Good Fortune. However, there might be an opportunity to invest in the fifth line at the end of the Splitting Apart

The following cases are those of corporations under the Splitting Apart Time-Space.

- **Procter & Gamble Co. PG under CEO Robert A. McDonald**
- **Microchip Technology Inc. MCHP under CEO Steve Sanghi**

## **THE LINES:**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation's splitting apart– waiting for the evil within the corporation to break it down.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Splitting Apart Time-Space, all the employees begin to feel the corporation's corruption. The inferior executives are gaining power. They have joined together to destroy the CEO and, in particular, his few followers. They do this by slander, intrigue and by planting the seed of hatred amongst the employees.

**Managerial Advice:** The Superior CEO is always patient. He waits for the corporation to break down for he knows that:

- When a corporation starts to split apart or break down, all the employees will begin to feel how corrupted it really was, and
- Such realization on the part of all the employees is important for the future of the corporation.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporation's splitting apart– waiting for the Board of Directors to return the power to him.

**Managerial Lesson:** Be strategic.

**Managerial Warning:** At the second stage of the Splitting Apart Time-Space, the pace of the corporate breakdown accelerates as corruption becomes widespread. The inferior executives have reached more influential positions and are relentlessly attacking the CEO personally from a position of strength. The CEO has no one on whom to trust and fails to find the necessary support – neither the Board of Directors nor his employees will support him.

**Managerial Advice:** The Superior CEO keeps away from the struggle. He knows “*Extreme caution is necessary in this isolation.*” He adjusts to the present conditions and keeps away from dangerous situations such as stubbornly maintaining his points of view. He does not impose his strategies but rather allows the Board of Directors to approve the strategies of the inferior executives. He knows that in the end, their strategies will fail and the Board of Directors will eventually return the power to him.

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporation's splitting apart– waiting for the Superior executives to join him.

**Managerial Lesson:** Be brave.

**Managerial Warning:** At the third stage of the Splitting Apart Time-Space, the corporation breaks down to an even higher degree as the inferior executives take complete control of the corporation. However, the CEO manages to keep some influence because of the strong support and backing he receives from external advisors. They encourage him to stay and fight within the corporation.

**Managerial Advice:** The Superior CEO will face the evil now that it is already present because he is certain it cannot last forever. Furthermore, he knows that, once the inferior executives fall, all the superior executives left will join him.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporation's splitting apart– bracing for the corporation's complete breakdown.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the fourth stage of the Splitting Apart Time-Space, the corporate breakdown reaches its highest point. The corporation's inferior managers have reached their highest degree of influence and the corporation is ready to collapse. Not only will it damage the corporation but the inferior executives will destroy themselves.

**Managerial Advice:** The Superior CEO knows there is nothing to do but to wait.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the corporation's splitting apart– preparing to lead as the Board of Directors returns the power to him

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the fifth stage of the Splitting Apart Time-Space, the breakdown cycle is about to slow down. The power of the inferior executives is diminishing as their plans almost brought the corporation to its collapse. They, however, become aware of their ignorance as well as of their lack of ability to manage the corporation, and desperately seek the Superior CEO to

lead them. The leader of the inferior executives guides them back to the leadership of the Superior CEO.

**Managerial Advice:** The Superior CEO is noble and forgiving. He recognizes the transformation of the inferior executives and gladly accepts their request for him to lead them. He proceeds to bring back the corporation to better conditions.

**Investment Advice:** Do not invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporation’s splitting apart– taking control of the corporation

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the sixth stage of the Splitting Apart Time-Space, the break down cycle is reversed. The inferior executives’ plans have completely failed due to their own misguided views. The CEO takes control of the corporation with the support of the Board of Directors and of the employees in general. The inferior executives are punished.

The I Ching’s final warning is for the inferior executives – who must learn that they not only can destroy the corporation but they can also destroy themselves. The only one who can save them is a Superior CEO.

- *The I Ching says: “Evil is not destructive to the good alone but inevitably destroys itself as well. For evil, which lives solely by negation, cannot continue to exist on its own strength alone. The inferior man himself fares best when held under control by a superior man.”*

**Managerial Advice:** The Superior CEO recognizes when the cycle has changed ending the Splitting Apart Time Space. He knows that *“Misfortune has spent itself, better times return.”* He moves quickly to gain *“influence and effectiveness.”* He recognizes that the law of seasonality will inevitably bring down the fall of evil.

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **Procter & Gamble Co. PG under CEO Robert A. McDonald**

Robert McDonald’s Performance:	ROI= (0.87%)	Annualized Return= (0.55%)
SPY performance	ROI= 5.96%	Annualized Return= 3.71%

Robert McDonald became CEO of Procter & Gamble in July 2009. Since then, he has not been able to outperform the S&P 500. He will encounter very difficult conditions as he deals with the Splitting Apart Time-Space.

The Splitting Apart Time-Space is very negative. He must follow the I Ching's advice: *those above can ensure their position only by giving generously to those below.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 23 – Po - Splitting Apart*

*The dark lines are about to mount upward and overthrow the last firm, light line by exerting a disintegrating influence on it. The inferior, dark forces overcome what is superior and strong, not by direct means, but by undermining it gradually and imperceptibly, so that it finally collapses.*

*The lines of the hexagram present the image of a house, the top line being tile roof, and because the roof is being shattered the house collapses. The hexagram belongs to the ninth month (October-November). The yin power pushes up ever more powerfully and is about to supplant the yang power altogether.*

*THE JUDGMENT*

*SPLITTING APART.*

*It does not further one  
To go anywhere.*

*This pictures a time when inferior people are pushing forward and are about to crowd out the few remaining strong and superior men. Under these circumstances, which are due to the time, it is not favorable for the superior man to undertake anything.*

*The right behavior in such adverse times is to be deduced from the images and their attributes. The lower trigram stands for the earth, whose attributes are docility and devotion. The upper trigram stands for the mountain, whose attribute is stillness. This suggests that one should submit to the bad time and remain quiet. For it is a question not of man's doing but of time conditions, which, according to the laws of heaven, show an alternation of increase and decrease, fullness and emptiness. It is impossible to counteract these conditions of the time. Hence it is not cowardice but wisdom to submit and avoid action.*

## 2) THE ADVICE

*The mountain rests on the earth: The image of SPLITTING APART.  
Thus those above can ensure their position  
Only by giving generously to those below.*

*The mountain rests on the earth. When it is steep and narrow, lacking a broad base, it must topple over. Its position is strong only when it rises out of the earth broad and great, not proud and steep. So likewise those who rule rest on the broad foundation of the people. They too should be generous and benevolent, like the earth that carries all. Then they will make their position as secure as a mountain is in its tranquility.*

## 3) THE LINES:

There are no Moving Lines.

## 4) THE MOVING HEXAGRAM

There is no moving hexagram because there are no moving Lines. The Judgment becomes even more important.

## **Microchip Technology Inc. MCHP under CEO Steve Sanghi**

Steve Sanghi's Performance:	ROI= 1,009.61%	Annualized Return= 14.43%
SPY performance	ROI= 156.36%	Annualized Return= 5.41%

Steve Sanghi became CEO of Microchip Technology on October 1, 1993. Since then, his performance has been that of a Superior CEO.

When he first became CEO, he drew an excellent Time-Space with a positive Judgment and Line.

Steve Sanghi has been CEO of Microchip Technology for almost 20 years.

It is the usual procedure that we should ask the I Ching to comment on the future Time Space of the CEO and his corporation every 7 or 10 years.

The future would appear negative for Microchip technology. Past performance is no guarantee of future performance. The Universe is cyclical.



# Microchip Technology Inc. MCHP under CEO Steve Sanghi

## • (Before 2011)

### Points the investor should consider:

#### 1) THE HEXAGRAM

##### *HEXAGRAM 60 – Chieh - Limitation*

##### **THE JUDGMENT**

*LIMITATION.*

*Success.*

*Galling limitation must not be persevered in.*

*Limitations are troublesome, but they are effective. If we live economically in normal times, we are prepared for times of want. To be sparing saves us from humiliation. Limitations are also indispensable in the regulation of world conditions. In nature there are fixed limits for summer and winter, day and night, and these limits give the year its meaning. In the same way, economy, by setting fixed limits upon expenditures, acts to preserve property and prevent injury to the people.*

*But in limitation we must observe due measure. If a man should seek to impose galling limitations upon his own nature, it would be injurious. And if he should go too far in imposing limitations on others, they would rebel. Therefore it is necessary to set limits even upon limitations*

#### 2) THE ADVICE

*Water over lake: the image of LIMITATION.*

*Thus the superior man*

*Creates number and measure,*

*And examines the nature of virtue and correct conduct.*

#### 3) THE LINES:

*Nine in the fifth place means:*

*Sweet limitation*

*brings good fortune.*

*Going*

*brings esteem.*

*The limitation must be carried out in the right way if it is to be effective. If we seek to impose restrictions on others only, while evading them ourselves, these restrictions will always be resented and will provoke resistance. If, however, a man in a leading position applies the limitation first to himself, demanding little from those associated with him, and with modest means manages to achieve something, good fortune is the result. Where such an example occurs, it meets with emulation, so that whatever is undertaken must succeed.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 19 – Lin - Approach

##### THE JUDGMENT

*APPROACH has  
supreme success.  
Perseverance furthers.  
When the eighth month comes,  
There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next hexagram). We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

##### THE IMAGE

*The earth above the lake: The image of APPROACH.  
Thus the superior man is inexhaustible  
In his will to teach,  
And without limits  
In his tolerance and protection of the people.*

*The earth borders upon the lake from above 1. This symbolizes the approach and condescension of the man of higher position to those beneath him. The two parts of the image indicate what his attitude toward these people will be. Just as the lake is inexhaustible in depth, so the sage is inexhaustible in his readiness to teach mankind, and just as the earth is boundlessly wide, sustaining and caring for all creatures on it, so the sage sustains and cares for all people and excludes no part of humanity.*

# Microchip Technology Inc. MCHP under CEO Steve Sanghi

## • (Future after 2012)

### Points the investor should consider:

#### 1) THE HEXAGRAM

HEXAGRAM 23 – Po - Splitting Apart

*The dark lines are about to mount upward and overthrow the last firm, light line by exerting a disintegrating influence on it. The inferior, dark forces overcome what is superior and strong, not by direct means, but by undermining it gradually and imperceptibly, so that it finally collapses.*

*The lines of the hexagram present the image of a house, the top line being tile roof, and because the roof is being shattered the house collapses. The hexagram belongs to the ninth month (October-November). The yin power pushes up ever more powerfully and is about to supplant the yang power altogether.*

#### THE JUDGMENT

SPLITTING APART.

*It does not further one  
To go anywhere.*

*This pictures a time when inferior people are pushing forward and are about to crowd out the few remaining strong and superior men. Under these circumstances, which are due to the time, it is not favorable for the superior man to undertake anything.*

*The right behavior in such adverse times is to be deduced from the images and their attributes. The lower trigram stands for the earth, whose attributes are docility and devotion. The upper trigram stands for the mountain, whose attribute is stillness. This suggests that one should submit to the bad time and remain quiet. For it is a question not of man's doing but of time conditions, which, according to the laws of heaven, show an alternation of increase and decrease, fullness and emptiness. It is impossible to counteract these conditions of the time. Hence it is not cowardice but wisdom to submit and avoid action.*

#### 2) THE ADVICE

*The mountain rests on the earth: The image of SPLITTING APART.  
Thus those above can ensure their position  
Only by giving generously to those below.*

*The mountain rests on the earth. When it is steep and narrow, lacking a broad base, it must topple over. Its position is strong only when it rises out of the earth broad and great, not proud and steep. So likewise those who rule rest on the broad foundation of the people. They too should be generous and benevolent, like the earth that carries all. Then they will make their position as secure as a mountain is in its tranquility.*

### **3) THE LINES:**

There are no Moving Lines.

### **4) THE MOVING HEXAGRAM**

There is no moving hexagram because there are no moving Lines. The Judgment becomes even more important.

## **24 RETURN** **(THE TURNING POINT)**

### **MANAGERIAL ISSUE:**

The CEO – managing his/corporate return/prosperity – joining the superior executives left behind to fix the corporation.

Hexagram 24 is the opposite of the previous Hexagram. In Hexagram 23, the five YIN lines at the bottom representing the inferior executives in control of the corporation pushed out the only YANG line at the top representing the CEO or his influence. In Hexagram 24, however, the CEO returns to the corporation to join the few superior executives remaining and begins the process of returning the corporation back to its previous prosperity.

The shape of Hexagram 24 of one YANG (whole) line at the bottom and five YIN lines (broken) on top indicate that a Superior CEO, whether physically or in terms of his influence, is returning to fix the corporation's problems caused by the inferior executives' policies. The CEO is about to join the superior executives he once had to leave, and eliminate the inferior executives even though such task will take him sometime. The fact this Hexagram represents the end of poor management, makes it a positive Hexagram.

This is part of a natural and inevitable cycle of changes. After all the inferior managers had pushed all the superior managers out of the corporation, the superior managers return. This is the Law of Seasonality. The natural forces, which support the Superior CEO, will help him transform the corporation therefore his task will be much easier. The more honest managerial practices, which are more in tune with the present times, will push out the dishonest managerial practices. This is done with the backing of all the superior executives of the corporation and in the open for everyone to see. Whereas before, all managers were working for their own personal interests, now all managers work together for the good of the corporation.

### **MANAGERIAL LESSON:**

The Superior CEO, who intends to turn this corporation around, executes two basic policies: openness and gradual progress.

- 1) Openness means a continuous communication process. While the inferior executives were secretive in the execution of their plans, the Superior CEO who is reaching out to the superior executives openly communicates both his ideas as well as his plans to execute those ideas.
- 2) Gradual progress means that in the beginning of a positive cycle of change, the positive forces are too weak to be forced into action. The Superior CEO keeps always in mind that success is assured because it is part of a natural process; therefore there is no reason to rush it. This represents only the beginning of their managerial efforts. This effort cannot be

forced, as he could destroy the corporation, just like forcing the growth of any newborn thing.

The Superior CEO relies on his own insight. He perceives the proper time for both: for the return of the corporation to prosperity and for the dismissal of the inferior executives. He knows when to:

- Exercise patience,
- Gather all the Superior executives
- Proclaim openly his strategy for the corporation.

## **INVESTMENT ADVICE:**

For the investor, the RETURN Time-Space in general is propitious for investing even though there are only two good opportunities to invest. The other lines are not clearly defined and therefore perhaps it would be best to look for another alternative in those particular cases.

By itself (no lines) the Hexagram is very positive because it points to the return of all that is positive for the corporation.

*RETURN. Success.*

*Going out and coming in without error.*

*Friends come without blame.*

*To and fro goes the way.*

*On the seventh day comes return.*

*It furthers one to have somewhere to go.*

*After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force. The upper trigram K'un is characterized by devotion; thus the movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time; therefore no harm results. Societies of people sharing the same views are formed. But since these groups come together in full public knowledge and are in harmony with the time, all selfish separatist tendencies are excluded, and no mistake is made.*

*The idea of RETURN is based on the course of nature. The movement is cyclic, and the course completes itself. Therefore it is not necessary to hasten anything artificially. Everything comes of itself at the appointed time. This is the meaning of heaven and earth.*

*All movements are accomplished in six stages, and the seventh brings return. Thus the Winter solstice, with which the decline of the year begins, comes in the seventh month after the summer solstice; so too sunrise comes in the seventh double hour after sunset. Therefore seven is the number of the young light, and it arises when six, the number of the great darkness, is increased by one. In this way the state of rest gives place to movement.*

The lines are very positive in the beginning (Great Good Fortune in the first place, Good Fortune in the second place). Two lines are neutral (no blame and no remorse) and two are negative.

The following cases are those of corporations under the Return Time-Space:

- **International Business Machines Corp. IBM under CEO Samuel J. Palmisano**
- **McDonald's Corp. MCD under CEO Jim Skinner**
- **Infosys Technologies Ltd. INFY under CEO S. Gopalakrishnan**

This is the Hexagram of Jack Welch when he was chosen as the CEO of General Electric:  
(Read On Management)

## **THE LINES:**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – punishing evil to take control.

**Managerial Lesson:** Be ruthless.

**Managerial Warning:** At the first stage of the Return Time-Space, the inferior executives have managed to barely contaminate the corporation.

**Managerial Advice:** The Superior CEO who wishes to turn around his corporation has zero tolerance for misconduct, not matter how small. He eliminates all the inferior executives completely and aggressively roots out their negative attitude.

**Investment Advice:** Invest fully.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – turning the corporation around out of conviction and will power.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the second stage of the Return Time-Space, the CEO turns the corporation around by reaching out for the superior executives left in the corporation. Together they return to take control of the corporation in spite of the bad treatment they were subjected to previously.

**Managerial Advice:** The Superior CEO makes sure the change brought about to the corporation is real and deep. He allows the superior executives to bring back their entire teams without any opposition. This will encourage the superior executives to perform much better, will provide the CEO with the strength to fire the inferior executives and, what is even better, will rub off on the attitude of the CEO. Superior executives will always gather together as like attracts like.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – hesitating on taking control.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the third stage of the Return Time-Space, the CEO risks being ambivalent. He seems unclear about who should have the complete control of the corporation. Sometimes he gives power to the Superior executives and at other times he gives power to the inferior executives who still keep a certain amount of control.

**Managerial Advice:** The Superior CEO is decisive. He knows Indecisiveness is a weakness that would endanger the corporation. And even if he were to show some ambivalence, there will be no great damage to the corporation because finally the Superior CEO will realize his error and eliminate the inferior executives once and for all.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – turning around even if only to meet a single Superior executive.

**Managerial Lesson:** Be heroic.

**Managerial Warning:** At the fourth stage of the Return Time-Space, the CEO finds himself surrounded by inferior executives. He wants to turn around and reach out for the superior executives; nevertheless; they are so few that there is a possibility he might not make it.

**Managerial Advice:** The Superior CEO will reach out to the superior executives no matter how few they might be. He knows his capable and honest executives will come to his assistance without regards for rewards or fears of being punished. They will do it only because the Superior CEO is showing them the example by his leadership qualities and decision-making capabilities. Doing good for goodness sake is always profitable.

**Investment Advice:** Do not invest.



## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – turning the corporation around out of conviction and publicly admitting it.

**Managerial Lesson:** Be introspective.

**Managerial Warning:** At the fifth stage of the Return Time-Space, the CEO has a chance for an admirable turnaround.

**Managerial Advice:** The Superior CEO is strong enough to make a painful but necessary analysis of himself as well as of the corporation to discover what is really wrong with it. Once he finds the errors, the Superior CEO will come out in the open and admit the errors, rather than trying to hide them. He knows this is positive and he will never regret it.

**Investment Advice:** Do not invest. There are better alternatives.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing his/corporate return/prosperity – joining the Superior executives left behind to fix the corporation – failing to seize the turn-around moment.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the sixth stage of the Return Time-Space, the CEO risks both: failing to seize the moment for a turnaround and reach out for the superior executives, and not being able to stop the inferior executives from destroying the corporation. His failure to turn around in time is due to his lack of humility. Pride blinds him. Pride will not allow him to set clear objectives for his corporation. This means he will make mistakes, as he will issue contradictory orders to his executives. This will lead the corporation to such weakness that it may never recover. Only humility can save the CEO.

**Managerial Advice:** The Superior CEO cultivates the proper attitude towards the world. He is humble and flexible, therefore his judgment is correct.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **International Business Machines Corp. IBM under CEO Samuel J. Palmisano**

Samuel Palmisano's Performance: ROI= 61.24%      Annualized Return= 5.19%  
SPY performance                      ROI= ( 0.86%)      Annualized Return= ( 0.09%)

Samuel Palmisano became CEO of IBM in March of 2002. Since then, he has outperformed the SPY. His Hexagram has no moving lines; therefore the Judgment is the focusing point:

*RETURN. Success.*

He managed the Return Time-Space of IBM very well by selling off commodity business lines such as PCs and printers while moving the company into higher-margin offerings such as consulting, analytics software, and business services.

#### **Points the investor should consider:**

##### **1) THE HEXAGRAM**

*HEXAGRAM 24 – Fu - Return (The Turning Point)*

*The idea of a turning point arises from the fact that after the dark lines have pushed all of the light lines upward and out of the hexagram, another light line enters the hexagram from below. The time of darkness is past. The winter solstice brings the victory of light. This hexagram is linked with the eleventh month, the month of the solstice (December-January).*

##### *THE JUDGMENT*

*RETURN. Success.  
Going out and coming in without error.  
Friends come without blame.  
To and fro goes the way.  
On the seventh day comes return.  
It furthers one to have somewhere to go.*

*After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force. The upper trigram K'un is characterized by devotion; thus the movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time; therefore no harm results. Societies of people sharing the same views are formed. But since these groups come together in full public knowledge and are*

*in harmony with the time, all selfish separatist tendencies are excluded, and no mistake is made.*

*The idea of RETURN is based on the course of nature. The movement is cyclic, and the course completes itself. Therefore it is not necessary to hasten anything artificially. Everything comes of itself at the appointed time. This is the meaning of heaven and earth.*

*All movements are accomplished in six stages, and the seventh brings return. Thus the Winter solstice, with which the decline of the year begins, comes in the seventh month after the summer solstice; so too sunrise comes in the seventh double hour after sunset. Therefore seven is the number of the young light, and it arises when six, the number of the great darkness, is increased by one. In this way the state of rest gives place to movement.*

## **2) THE ADVICE**

*Thunder within the earth: The image of THE TURNING POINT.  
Thus the kings of antiquity closed the passes  
At the time of solstice.  
Merchants and strangers did not go about,  
And the ruler  
Did not travel through the provinces.*

*The winter solstice has always been celebrated in China as the resting time of the year - a custom that survives in the time of rest observed at the new year. In winter the life energy, symbolized by thunder, the Arousing is still underground. Movement is just at its beginning; therefore it must be strengthened by rest, so that it will not be dissipated by being used prematurely. This principle, i.e., of allowing energy that is renewing itself to be reinforced by rest, applies to all similar situations. The return of health after illness, the return of understanding after an estrangement: everything must be treated tenderly and with care at the beginning, so that the return may lead to a flowering.*

## **3) THE LINES:**

There are no Moving Lines.

## **4) THE MOVING HEXAGRAM**

There is no Moving Hexagram because there are no Moving lines. In this instance, the Judgment becomes the focusing issue.

## McDonald's Corp. MCD under CEO Jim Skinner

Jim Skinner's Performance:	ROI= 172.21%	Annualized Return= 15.96%
SPY performance	ROI= ( 1.62%)	Annualized Return= ( 0.24%)

Jim Skinner became CEO of McDonald's in November of 2004. Since then, he has substantially outperformed the SPY. His Hexagram has two moving lines. The first has an excellent result Quiet Return, Good Fortune, which supports his superior performance. However, the second line points to a period of Danger which he will overcome as mentioned in the commentaries of the line (see commentaries below).

The following is a review of his performance:

*Former CEO Jim Cantalupo had died of a heart attack earlier that year. His successor, Charlie Bell, was diagnosed with colon cancer and stepped down shortly after due to failing health. Skinner felt his first order of business was to restore confidence and rethink direction.*

*"In February of 2009, a committee of his peers met at the NYSE and chose Jim Skinner, 64, CEO of McDonald's, to be the 2009 Chief Executive of the Year for transforming an iconic brand by rebuilding its purpose, strengthening its internal talent and realigning that talent with a **return** to the company's fundamental principles. In doing this, Skinner and his senior team had to rethink much of what had been proven successful since the days when founder Ray Kroc and his ideas suffused the organization."*

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six in the second place means:

Quiet return.

Good fortune.

*Return always calls for a decision and is an act of self-mastery. It is made easier if a man is in good company. If he can bring himself to put aside pride and follow the example of good men, good fortune results.*

Six in the third place means:

Repeated return.

Danger.

No blame.

*There are people of a certain inner instability who feel a constant urge to reverse themselves. There is danger in continually deserting the good because of uncontrolled desires, then turning back to it again because of a better resolution. However, since this does not lead to habituation in evil, a general inclination to overcome the defect is not wholly excluded.*

#### **4) THE MOVING HEXAGRAM**

*Hexagram 11 - T'ai - Peace*

*The Receptive, which moves downward, stands above; the Creative, which moves upward, is below. Hence their influences meet and are in harmony, so that all living things bloom and prosper. This hexagram belongs to the first month (February-March), at which time the forces of nature prepare the new spring.*

#### **THE JUDGMENT**

**PEACE.**

*The small departs,*

*The great approaches.*

*Good fortune.*

*Success.*

*This hexagram denotes a time in nature when heaven seems to be on earth. Heaven has placed itself beneath the earth, and so their powers unite in deep harmony. Then peace and blessing descend upon all living things.*

*In the world of man it is a time of social harmony; those in high places show favor to the lowly, and the lowly and inferior in their turn are well disposed toward the highly placed. There is an end to all feuds.*

*Inside, at the center, in the key position, is the light principle; the dark principle is outside. Thus the light has a powerful influence, while the dark is submissive. In this way each receives its due. When the good elements of society occupy a central position and are in control, the evil elements come under their influence and change for the better. When the spirit of heaven rules in man, his animal nature also comes under its influence and takes its appropriate place.*

*The individual lines enter the hexagram from below and leave it again at the top. Here the small, weak, and evil elements are about to take their departure, while the great, strong, and good elements are moving up. This brings good fortune and success.*

#### **THE IMAGE**

*Heaven and earth unite: the image Of PEACE.*

*Thus the ruler Divides and completes the course of heaven and earth;*

*He furthers and regulates the gifts of heaven and earth,  
And so aids the people.*

*Heaven and earth are in contact and combine their influences, producing a time of universal flowering and prosperity. This stream of energy must be regulated by the ruler of men. It is done by a process of division. Thus men divide the uniform flow of time into the seasons, according to the succession of natural phenomena, and mark off infinite space by the points of the compass. In this way nature in its overwhelming profusion of phenomena is bounded and controlled. On the other hand, nature must be furthered in her productiveness. This is done by adjusting the products to the right time and the right place, which increases the natural yield. This controlling and furthering activity of man in his relation to nature is the work on nature that rewards him.*

## **Infosys Technologies Ltd. INFY under CEO S. Gopalakrishnan**

S. Gopalakrishnan's Performance:	ROI= 8.12%	Annualized Return= 1.91%
SPY performance	ROI= (22.68%)	Annualized Return= (6.05%)

S. Gopalakrishnan became CEO of Infosys in June 2007. Since then, he has not performed as well as the other two corporations mentioned above perhaps because he took over right in the middle of the crash, but still his performance proves he has managed the Return Time-Space of the corporation.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*0 Nine at the beginning means:  
Return from a short distance.  
No need for remorse  
Great good fortune.*

*Slight digressions from the good cannot be avoided, but one must turn back in time, before going too far. This is especially important in the development of character; every faintly evil thought must be put aside immediately, before it goes too far and takes root in the mind. Then there is no cause for remorse, and all goes well.*

#### **4) THE MOVING HEXAGRAM**

##### *HEXAGRAM 02 - K'un - THE RECEPTIVE*

*This hexagram is made up of broken lines only. The broken line represents the dark, yielding, receptive primal power of yin. The attribute of the hexagram is devotion; its image is the earth. It is the perfect complement of THE CREATIVE - the complement, not the opposite, 1 for the Receptive does not combat the Creative but complements it. It represents nature in contrast to spirit, earth in contrast to heaven, space as against time, the female-maternal as against the male-paternal. However, as applied to human affairs, the principle of this complementary relationship is found not only in the relation between man and woman, but also in that between prince and minister and between father and son. Indeed, even in the individual this duality appears in the coexistence of the spiritual world and the world of the senses.*

*But strictly speaking there is no real dualism here, because there is a clearly defined hierarchic relationship between the two principles. In itself of course the Receptive is just as important as the Creative, but the attribute of devotion defines the place occupied by this primal power in relation to the Creative. For the Receptive must be activated and led by the Creative; then it is productive of good. Only when it abandons this position and tries to stand as an equal side by side with the Creative, does it become evil. The result then is opposition to and struggle against the Creative, which is productive of evil to both.*

##### *THE JUDGMENT*

*THE RECEPTIVE brings about sublime success,  
Furthering through the perseverance of a mare.  
If the superior man undertakes something and tries to lead,  
He goes astray;  
But if he follows, he finds guidance  
It is favorable to find friends in the west and south,  
To forego friends in the east and north.  
Quiet perseverance brings good fortune.*

*The four fundamental aspects of the Creative - "sublime success, furthering through perseverance"- are also attributed to the Receptive. Here, however, the perseverance is more closely defined: it is that of a mare. The Receptive connotes spatial reality in contrast to the spiritual potentiality of the Creative. The potential becomes real and the spiritual becomes spatial through a specifically qualifying definition. Thus the qualification, "of a mare," is here added to the idea of perseverance. The horse belongs to earth just as the dragon belongs to heaven. Its tireless roaming over the plains is taken as a symbol of the vast expanse of the earth. This is the symbol chosen because the mare combines the strength and swiftness of the horse with the gentleness and devotion of the cow.*

*Only because nature in its myriad forms corresponds with the myriad impulses of the Creative can it make these impulses real. Nature's richness lies in its power to nourish all living things; its greatness lies in its power to give them beauty and splendor. Thus it prospers all that lives. It is the Creative that begets things, but they are brought to birth by the Receptive. Applied to human affairs, therefore, what the hexagram indicates is action in conformity with the situation. The person in question is not in an independent position, but is acting as an assistant. This means that he must achieve something. It is not his task to try to lead - that would only make him lose the way - but to let him be led. If he knows how to meet fate with an attitude of acceptance, he is sure to find the right guidance. The superior man lets himself be guided; he does not go ahead blindly, but learns from the situation what is demanded of him and then follows this intimation from fate.*

*Since there is something to be accomplished, we need friends and helpers in the hour of toil and effort, once the ideas to be realized are firmly set. The time of toil and effort is indicated by the west and the south, for west and south symbolize the place where the Receptive works for the Creative, as nature does in summer and autumn. If in that situation one does not mobilize all one's powers, the work to be accomplished will not be done. Hence to find friends there means to find guidance. But in addition to the time of toil and effort, there is also a time of planning, and for this we need solitude. The east symbolizes the place where a man receives orders from his master and the north the place where he reports on what he has done. At that time he must be alone and objective. In this sacred hour he must do without companions so that the purity of the moment may not be spoiled by factional hates and favoritism.*

#### *THE IMAGE*

*The earth's condition is receptive devotion.  
Thus the superior man who has breadth of character  
Carries the outer world.*

*Just as there is only one heaven, so too there is only one earth. In the hexagram of the heaven the (doubling, of the trigram implies duration in time, but in the hexagram of earth the doubling connotes the solidity and extension in space by virtue of which the earth is able to carry and preserve all things that live and move upon it. The earth in its devotion carries all things, good and evil, without exception. In the same way the superior man gives to his character breadth, purity, and sustaining power, so that he is able both to support and to bear with people and things.*



## **25 INNOCENCE** **(THE UNEXPECTED)**

### **MANAGERIAL ISSUE:**

The CEO – managing the personal and the corporate INNOCENCE.

Hexagram 25 represents the INNOCENCE Time-Space where the Superior CEO must focus on keeping a parallel between his innocent personal nature and the innocent corporate nature.

By the Law of Correspondence,  
just as

- Heaven makes man “*originally innocent and without guile with a mind natural and true, unshadowed by reflection or ulterior designs*”,  
so does
- Heaven makes the vision of the corporation. “*originally innocent and without guile with a mind natural and true, unshadowed by reflection or ulterior designs*”.

Just as

- Heaven makes man interiorly good for the good of mankind,  
so does
- Heaven makes corporations intrinsically good for the good of mankind.

A corporation that acts in the detriment of mankind such as a tobacco company, has a distorted view of its original INNOCENCE (has turned evil) and its CEO betrays his own spiritual INNOCENCE.

When Heaven sends the CEO an original vision to create or transform a corporation, it will send it in the only way Heaven sends visions - in an innocent or pure form. This vision will, in turn, inspire the CEO to give it material form. However, it will inspire him only if he is in contact with the same original innocence or purity within his heart with which Heaven created him. The YANG from Heaven (without his spirit) must touch the YIN from Earth (within his spirit).

WARNING: SHOULD HE BETRAY THE INNOCENCE, HEAVEN WILL PUNISH HIM WITH THE UNEXPECTED.

### **MANAGERIAL LESSON:**

The Superior CEO is true to both his own INNOCENT nature as well as to the INNOCENT nature of the corporation. He does not allow any distortion of the INNOCENT nature of his being or of the corporate spirit. Fidelity to the INNOCENCE of both is above personal gain or short term corporate profit. Success is guaranteed as long as the CEO is true to such original INNOCENCE. The Superior CEO acts (does not re-act) according to the mandates of his heart and in accordance with a clear and good faith. .

Confucius says about this:

- *"He who departs from innocence, what does he come to?*
- *Heaven's will and blessing do not go with his deeds."*

Ben Franklin used to say: "Think innocently and justly" -

WHAT DOES GOLDMAN SACHS SAYS? *"Let us wrap ourselves around the face of humanity, like a great vampire squid, to relentlessly jam our blood funnel into anything that smells like money."*

The more the CEO of Goldman Sachs departs from the original corporate INNOCENCE (to do good), the more Heaven will punish him with the unexpected.

## **INVESTMENT ADVICE:**

For the investor, the INNOCENCE Time-Space in general is not propitious for investing.

By itself (no lines) the Hexagram is positive (Supreme success) provided the CEO maintains his own Innocence as well as the corporation's Innocence (the original one):

*INNOCENCE. Supreme success.  
Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.*

*Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.*

Confucius says about this:

*"He who departs from innocence, what does he come to? Heaven's will and blessing do not go with his deeds."*

There is only one really good investment opportunity (Good Fortune in the First Line). The rest of the lines are made up either of unexpected events which are harmful to the corporation or the CEO fails to keep the personal or the corporate INNOCENCE.

The following cases are those of corporations under the INNOCENCE Time-Space.

- **Hewlett-Packard Company HPQ under CEO Leo Apotheker**
- **First Solar, Inc. FSLR under CEO Robert J. Gillette**
- **Automatic Data Processing, Inc. ADP under CEO Gary C. Butler**

## **THE LINES:**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE – acting innocently, succeeding from the start.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the first stage of the INNOCENCE Time-Space, the CEO acts with humility and in accordance with his personal as well as the corporate INNOCENCE.

**Managerial Advice:** The Superior CEO knows “*the original impulses of the heart are always good; therefore he follows them confidently, assured of good fortune and achievement of his aims.*” This no doubt brings success to the corporation.

**Investment Advice:** Invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE – being innocent for innocence’s sake.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the second stage of the INNOCENCE Time-Space, the CEO risk failing by thinking of the gains before the work has been done.

**Managerial Advice:** The Superior CEO acts with humility according to his original instincts without thought of personal gain and only for the sake of seeing the INNOCENT corporate spirit become a reality. He focuses on maintaining the spirit of INNOCENCE without thought of personal gain and therefore, in the end, the spirit of INNOCENCE will make him wealthy upon the completion of the task. He does not count the chickens before they hatch and thereby he ensures success.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE - not taking precautions when the unexpected occurs (Murphy visits the corporation)

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the third stage of the INNOCENCE Time-Space, the CEO must face the unexpected. Murphy's Law causes corporate losses. This is neither the CEO's nor anybody's fault.

**Managerial Advice:** The Superior CEO knows not matter how much he acts in good faith during the INNOCENCE Time-Space, he must always take precautions for all kinds of unexpected events. There is a way out however, and that is to be true to the original spirit of the INNOCENCE.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE – remaining true to his own nature in spite of unexpected adverse events.

**Managerial Lesson:** Be persevering.

**Managerial Warning:** At the fourth stage of the INNOCENCE Time-Space, the Superior CEO acts humbly and in accordance with the spirit of INNOCENCE but he runs into difficulties.

**Managerial Advice:** The Superior CEO is persevering, truthful and committed to the spirit of INNOCENCE. This assures his triumph. No matter how many difficulties the CEO runs into while carrying out the INNOCENCE Time-Space, INNOCENCE will always be his because it was Heaven sent. Thus the Superior CEO needs not be afraid the spirit of INNOCENCE will leave him. He may betray the Spirit, but the Spirit will never betray him. All the Superior CEO has to do is keep his own counsel, and keep the faith in the spirit of INNOCENCE.

The I Ching advises the Superior CEO:

- *He cannot lose what really belongs to him, even if he throws it away.*
- *He needs have no anxiety.*
- *He should remain true to his own nature and not listen to others.*

**Investment Advice:** Do not invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE - running into difficulties due to unexpected events not of his own making.

**Managerial Lesson:** Be still.

**Managerial Warning:** At the fifth stage of the INNOCENCE Time-Space, the CEO faces an unexpected external event threatening the corporation.

**Managerial Advice:** The Superior CEO quietly lets nature take its course. He acts according to his personal INNOCENCE as well as according to the corporate INNOCENCE because he

knows the way out lies in being humble and letting things come to their own proper conclusions. A Superior CEO knows that sometimes it is better not to act but rather to allow things to reach their own final conclusions by themselves. Only then will he find the answer. He does not need external advisors from other corporations to provide him with the answers.

**Investment Advice:** Do not invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the personal and the corporate INNOCENCE - running into difficulties related to the natural cyclical movements.

**Managerial Lesson:** Be seasonal.

**Managerial Warning:** At the sixth stage of the INNOCENCE Time-Space, the CEO faces unexpected events which are part of a natural cycle.

**Managerial Advice:** The Superior CEO recognizes the cyclical movements – the times to act and the times to remain quiet. This is a time to stand still and let the problem work itself out. *“The time is not ripe for further progress, the best thing to do is to wait quietly, without ulterior designs.”*

**Investment Advice:** Do not invest

## **MANAGERIAL CASES**

### **Hewlett-Packard Company HPQ under CEO Leo Apotheker**

Leo Apotheker's Performance:	ROI= (42.59%)	Annualized Return= (49.67%)
SPY performance	ROI= (6.40%)	Annualized Return= (7.85%)

Leo Apotheker became CEO of Hewlett-Packard in November of 2010. During his short stay, he substantially underperformed the SPY. Had he drawn the Hexagram with only the first line (*Innocent behavior brings good fortune.*), his performance might have been much better; however, the other two lines pointed to his future difficulties as CEO. He was fired because he never understood the Innocent (original) spirit of Hewlett Packard as shown by his strategy of selling the PC division (*Use no medicine in an illness Incurred through no fault of your own. It will pass of itself.*). All he had to do was sit tight and wait for the illness to pass all by itself.

What was even more alarming was the MOVING HEXAGRAM (**HEXAGRAM 23 – Po - Splitting Apart**) which pointed to an extremely difficult time.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

HEXAGRAM 25 - Wu Wang - Innocence (The Unexpected)

*Ch'ien, heaven, is above; Chen, movement, is below. The lower trigram Chen is under the influence of the strong line it has received from above, from heaven. When, in accord with this, movement follows the law of heaven, man is innocent and without guile. His mind is natural and true, unshadowed by reflection or ulterior designs. For wherever conscious purpose is to be seen, there the truth and innocence of nature have been lost. Nature that is not directed by the spirit is not true but degenerate nature. Starting out with the idea of the natural, the train of thought in part goes somewhat further and thus the hexagram includes also the idea of the unintentional or unexpected.*

#### **THE JUDGMENT**

*INNOCENCE. Supreme success.  
Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.*

*Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.*

*Confucius says about this:*

*"He who departs from innocence, what does he come to? Heaven's will and blessing do not go with his deeds."*

### **2) THE ADVICE**

*Under heaven thunder rolls: All things attain the natural state of innocence.  
Thus the kings of old, rich in virtue, and in harmony with the time,  
Fostered and nourished all beings.*

*In springtime when thunder, life energy, begins to move again under the heavens, everything sprouts and grows, and all beings receive from the creative activity of nature the childlike innocence of their original state. So it is with the good rulers of mankind: drawing on the spiritual wealth at their command, they take care of all forms of life and all forms of culture and do everything to further them, and at the proper time.*

### 3) THE LINES:

0 Nine at the beginning means:

*Innocent behavior brings good fortune.*

*The original impulses of the heart are always good, so that we may follow them confidently, assured of good fortune and achievement of our aims.*

Nine in the fourth place means:

*He who can be persevering  
Remains without blame.*

*We cannot lose what really belongs to us, even if we throw it away. Therefore we need have no anxiety. All that need concern us is that we should remain true to our own natures and not listen to others.*

0 Nine in the fifth place means:

*Use no medicine in an illness  
Incurred through no fault of your own.  
It will pass of itself.*

*An unexpected evil may come accidentally from without. If it does not originate in one's own nature or have a foothold there, one should not resort to external means to eradicate it, but should quietly let nature take its course. Then improvement will come of itself.*

### 4) THE MOVING HEXAGRAM

HEXAGRAM 23 – Po - Splitting Apart

*The dark lines are about to mount upward and overthrow the last firm, light line by exerting a disintegrating influence on it. The inferior, dark forces overcome what is superior and strong, not by direct means, but by undermining it gradually and imperceptibly, so that it finally collapses.*

*The lines of the hexagram present the image of a house, the top line being tile roof, and because the roof is being shattered the house collapses. The hexagram belongs to the ninth month (October-November). The yin power pushes up ever more powerfully and is about to supplant the yang power altogether.*

THE JUDGMENT

SPLITTING APART.

*It does not further one  
To go anywhere.*

*This pictures a time when inferior people are pushing forward and are about to crowd out the few remaining strong and superior men. Under these circumstances, which are due to the time, it is not favorable for the superior man to undertake anything.*

The right behavior in such adverse times is to be deduced from the images and their attributes. The lower trigram stands for the earth, whose attributes are docility and devotion. The upper trigram stands for the mountain, whose attribute is stillness. This suggests that one should submit to the bad time and remain quiet. For it is a question not of man's doing but of time conditions, which, according to the laws of heaven, show an alternation of increase and decrease, fullness and emptiness. It is impossible to counteract these conditions of the time. Hence it is not cowardice but wisdom to submit and avoid action.

## THE IMAGE

The mountain rests on the earth: The image of SPLITTING APART.  
Thus those above can ensure their position  
Only by giving generously to those below.

The mountain rests on the earth. When it is steep and narrow, lacking a broad base, it must topple over. Its position is strong only when it rises out of the earth broad and great, not proud and steep. So likewise those who rule rest on the broad foundation of the people. They too should be generous and benevolent, like the earth that carries all. Then they will make their position as secure as a mountain is in its tranquility.

## First Solar, Inc. FSLR under CEO Robert J. Gillette

Robert J. Gillette's Performance:	ROI= (30.65%)	Annualized Return= (17.91%)
SPY performance	ROI= 14.09%	Annualized Return= 7.37%

Robert J. Gillette became CEO of First Solar in October 2009. Since then, he has substantially underperformed the SPY. His Hexagram has a very negative moving line which points to his poor performance: **Nine at the top means:** *Innocent action brings misfortune. Nothing furthers.*

## Points the investor should consider:

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).



### **3) THE LINES:**

#### **Nine at the top means:**

*Innocent action brings misfortune.  
Nothing furthers.*

*When, in a given situation, the time is not ripe for further progress, the best thing to do is to wait quietly, without ulterior designs. If one acts thoughtlessly and tries to push ahead in opposition to fate, success will not be achieved.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 17 – Sui - Following*

*The trigram Tui, the Joyous, whose attribute is gladness, is above; Chen, the Arousing, which has the attribute of movement, is below. Joy in movement induces following. The Joyous is the youngest daughter, while the Arousing is the eldest son. An older man defers to a young girl and shows her consideration. By this he moves her to follow him.*

#### **THE JUDGMENT**

*FOLLOWING has supreme success.  
Perseverance furthers.  
No blame.*

*In order to obtain a following one must first know how to adapt oneself. If a man would rule he must first learn to serve, for only in this way does he secure from those below him the joyous assent that is necessary if they are to follow him. If he has to obtain a following by force or cunning, by conspiracy or by creating factions, he invariably arouses resistance, which obstructs willing adherence. But even joyous movement can lead to evil consequences, hence the added stipulation, "Perseverance furthers"-that is, consistency in doing right - together with "No blame." Just as we should not ask others to follow us unless this condition is fulfilled, so it is only under this condition that we can in turn follow others without coming to harm.*

*The thought of obtaining a following through adaptation to the demands of the time is a great and significant idea; this is why the appended judgment is so favorable.*

#### **THE IMAGE**

*Thunder in the middle of the lake: The image of FOLLOWING.  
Thus the superior man at nightfall  
Goes indoors for rest and recuperation.*

*In the autumn electricity withdraws into the earth again and rests. Here it is the thunder in the middle of the lake that serves as the image - thunder in its winter rest, not thunder in motion. The idea of following in the sense of adaptation to the demands of the time grows out of this image.*

*Thunder in the middle of the lake indicates times of darkness and rest. Similarly, a superior man, after being tirelessly active all day, allows himself rest and recuperation at night. No situation can become favorable until one is able to adapt to it and does not wear himself out with mistaken resistance.*

## **Automatic Data Processing, Inc. ADP under CEO Gary C. Butler**

Gary C. Butler's Performance:	ROI= (2.50%)	Annualized Return= (0.51%)
SPY performance	ROI= (10.61%)	Annualized Return= (2.24%)

Gary C. Butler became CEO of ADP in August 2006. Since then, his performance has been mediocre, not being able to substantially outperform the SPY. His Hexagram has three moving lines which might not be extremely negative, but they are negative.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

##### **Six in the second place means:**

*If one does not count on the harvest while plowing,  
Nor on the use of the ground while clearing it,  
It furthers one to undertake something.*

*We should do every task for its own sake as time and place demand and not with an eye to the result. Then each task turns out well, and anything we undertake succeeds.*

##### **Six in the third place means:**

*Undeserved misfortune.  
The cow that was tethered by someone  
Is the wanderer's gain, the citizen's loss.*

*Sometimes undeserved misfortune befalls a man at the hands of another, as for instance when someone passes by and takes a tethered cow along with him. His gain is the owner's loss. In*

*all transactions, no matter how innocent, we must accommodate ourselves to the demands of the time, otherwise unexpected misfortune overtakes us.*

**Nine in the fourth place means:**

*He who can be persevering  
Remains without blame.*

*We cannot lose what really belongs to us, even if we throw it away. Therefore we need have no anxiety. All that need concern us is that we should remain true to our own natures and not listen to others.*

**4) THE MOVING HEXAGRAM**

*HEXAGRAM 09 - Hsiao Ch'u - The Taming Power of the Small*

*This hexagram means the force of the small - the power of the shadowy - that restrains, tames, impedes. A weak line in the fourth place, that of the minister, 1 holds the five strong lines in check. In the Image it is the wind blowing across the sky. The wind restrains the clouds, the rising breath of the Creative, and makes them grow dense, but as yet is not strong enough to turn them to rain.*

*The hexagram presents a configuration of circumstances in which a strong element is temporarily held in leash by a weak element. It is only through gentleness that this can have a successful outcome.*

**THE JUDGMENT**

**THE TAMING POWER, OF THE SMALL**

*Has success.  
Dense clouds, no rain from our western region.*

*This image refers to the state of affairs in China at the time when King Wen, who came originally from the west, was in the east at the court of the reigning tyrant Chou Hsin. The moment for action on a large scale has not yet arrived. King Wen could only keep the tyrant somewhat in check by friendly persuasion. Hence the image of many clouds, promising moisture and blessing to the land, although as yet no rain falls. The situation is not unfavorable; there is a prospect of ultimate success, but there are still obstacles in the way, and we can merely take preparatory measures.*

*Only through the small means of friendly persuasion can we exert any influence. The time has not yet come for sweeping measures. However, we may be able, to a limited extent, to act as a restraining and subduing influence. To carry out our purpose we need firm determination within and gentleness and adaptability in external relations.*

**THE IMAGE**

*The wind drives across heaven: The image of THE TAMING POWER OF THE SMALL.  
Thus the superior man  
Refines the outward aspect of his nature.*

*The wind can indeed drive the clouds together in the sky; yet, being nothing but air, without solid body, it does not produce great or lasting effects. So also an individual, in times when he can produce no great effect in the outer world, can do nothing except refine the expression of his nature in small ways.*

## **26 THE TAMING POWER OF THE GREAT**

### **MANAGERIAL ISSUE:**

The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven).

There are two Hexagrams of THE TAMING POWER Time-Spaces:

1. THE TAMING POWER OF THE SMALL (Hexagram 9), which describes both:
  - The nature of the power of a really powerless CEO who is alone, and
  - How he manages the stronger executives around him through the use not of power but of his persuasion.
  
2. THE TAMING POWER OF THE GREAT (Hexagram 26) which describes both:
  - The nature of the power of a CEO who is accompanied by a capable executive and
  - How he manages the opposing forces through the application of the power of the Creative (Heaven). He is in a stronger position than the CEO in THE POWER OF THE SMALL because he is not alone and because he has the power of Heaven.

In THE TAMING POWER OF THE GREAT Time-Space, the CEO is forced to manage real supernatural forces threatening the corporation's progress. These forces can be managed but not avoided because they are part of nature's cycle.

The Superior CEO:

- Holds together the corporation by:
  - Holding back the opposing forces with the power of Heaven, and
  - Caring for and nourishing the customers and the employees.

This is a corporation with great characteristics under the leadership of a CEO who can bring forth the corporation's strong creative powers with firmness and truth and who contributes with his personal light and clarity. He has the tenacity to easily reach his goals. Both, the CEO and the corporation complement each other - the corporate inner force as manifested through its creative capacity complements the CEO's will power, which allows him to properly channel this inner force. They both need each other to be successful.

### **MANAGERIAL LESSON:**

Heaven enables the Superior CEO to manage these natural and supernatural opposing forces by granting him the:

Capacity to:

- See a project through (tenacity).
- Recognize as well as to reward merit among his employees.

- Choose a good second in command with two basic characteristics:
  - Qualities similar to his, such as a strong character, and
  - Complementary personalities to set up a superior team, such as the case of an CEO teaming up with an excellent Executive VP.
- Keep together a financially strong corporation with a natural tendency to break down if left on its own.
- Encourage others to generate great ideas and make them come alive.
- Evaluate (continuously) his own self, his employees and his projects.
- Focus on international markets as well as domestic markets.

And

Wisdom to:

- Study the natural cycles.
- Learn to foresee future events that will affect the corporation.
- Learn the timing to apply his knowledge to make the most out of these cycles.

The CEO can get this wisdom by seriously:

- Studying the past, and
- Applying the lessons from it.

## **INVESTMENT ADVICE:**

For the investor, THE TAMING POWER OF THE GREAT is a favorable Time-Space to invest.

By itself (without any moving lines) it carries the possibility of success because the CEO counts with the help of Heaven.

*THE TAMING POWER OF THE GREAT.*

*Perseverance furthers.*

*Not eating at home brings good fortune.*

*It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.*

The lines present three good possibilities of investing in the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> places.

The following cases are those of corporations under The Taming Power of the Great Time-Space:

- Intuitive Surgical, Inc. ISRG under CEO Gary S. Guthart
- Qiagen NV QGEN under CEO Peer M. Schatz

(Read at end of Hexagram)

## **THE LINES:**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven). – failing at it.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Taming Power of the Great, the CEO will lead the corporation to its destruction if he tries to push the corporation's creative strength while supernatural forces oppose it.

**Managerial Advice:** The Superior CEO is patient. He knows when to force the advance and when not to. In this case, he must wait until those external elements that oppose the corporation lose their strength. Eventually the corporation's creativity will find another means to manifest itself.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven) – the forces get stronger.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the second stage of the Taming Power of the Great, the opposing forces are so strong that it takes away the corporation's momentum and leaves it practically standing still for such is the Taming Power of the Great. At this stage, the opposing forces are so strong there is no way the CEO could overcome them.

**Managerial Advice:** The Superior CEO is prudent. He realizes the opposing forces are too strong and removes any initiative that would frontally oppose them. He is patient and waits for the corporation's creative forces to gather strength. Only when his corporation is strong enough will he be able to make a vigorous advance later on to overcome the external forces.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven). – when the forces are weakening.

**Managerial Lesson:** Be skillful.

**Managerial Warning:** At the third stage of the Taming Power of the Great, the corporation's positive forces are rising as the opposing forces are diminishing. Such rising opens up all kinds of opportunities for the corporation.

**Managerial Advice:** The Superior CEO takes advantage of this change and works together with these positive forces. He leads the corporation in a conservative manner - by keeping pace with the industry, but also by avoiding unnecessary risks in trying to outdo the industry. The Superior CEO realizes this change is only at its beginning phase and the rise of the positive forces is still at risk. He knows he must stay focused if he wants to overcome this risk. He must practice both: offense by aggressively pursuing his goals, and defense by preparing his corporation for unexpected dangers. He must stay focused on the corporate objectives and the plans to achieve them.

**Investment Advice:** Do not invest. The line is relatively positive but there are better alternatives.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven). – making the best out of the corporation's creative forces.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the fourth stage of the Taming Power of the Great, the corporation's positive forces are continuing to gain strength. However, the CEO risks losing control of the sudden return of the corporate creative strength. Such strength will destroy the corporation if not properly channeled.

**Managerial Advice:** The Superior CEO forcefully takes away from this creative strength any excesses that might damage the corporation, and does it even before the creative force manifests itself in its fullness. The CEO uses only the best these forces have to offer to the corporation. Here, the secret to the Superior CEO's success lies in his ability to have the creative genius of the corporation focusing on a few good projects only.

**Investment Advice:** Invest fully.



## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven). – turning the creative forces from wild to useful.

**Managerial Lesson:** Be strategic.

**Managerial Warning:** At the fifth stage of the Taming Power of the Great, the CEO risks losing control of the impetuous forward drive.

**Managerial Advice:** The Superior CEO takes control of the corporation's driving forces indirectly by using his able assistant, and by diplomatically taking away any excesses from the creative strength (as opposed to doing it more forcefully as in the previous line). He properly focuses the corporation's creative forces, by first avoiding confrontation and second by performing a deep analysis of what causes the excesses.

**Investment Advice:** Invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing with the Taming Power of the Great – managing opposing forces (natural/supernatural) with the power of the Creative (Heaven). – the opposing forces are almost completely destroyed and the positive forces are displayed in full.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the sixth stage of the Taming Power of the Great, the CEO successfully overcomes the opposing forces. But it is in moments of triumph when pride could blind him.

**Managerial Advice:** The Superior CEO successfully leads the corporation to its fullest development by:

- Using his sense of timing to know when the positive forces are so strong that nothing can oppose him when implementing something really important.
- Focusing the corporation's creative strength in a proper manner.
- Waiting patiently for the external cyclical forces, which oppose the corporation's progress, to naturally extinguish themselves out.
- Establishing proper rules and setting high standards of excellence.

Such CEO will be an example of how to be a CEO.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### **Intuitive Surgical, Inc. ISRG under CEO Gary S. Guthart**

Gary S. Guthart's Performance:	ROI= 7.58%	Annualized Return= 4.67%
SPY performance	ROI= 0.46%	Annualized Return= 0.29%

Gary S. Guthart became CEO of Intuitive Surgical in January of 2010. Since then, he has done not much better than the SPY. Unfortunately, he drew lines two and three which do not represent Good Fortune (lines 4 and 5).

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 26 - Ta Ch'u - The Taming Power of the Great*

*The Creative is tamed by Ken, Keeping Still. This produces great power, a situation in contrast to that of the ninth hexagram, Hsiao Ch'u, THE TAMING POWER OF THE SMALL, in which the Creative is tamed by the Gentle alone. There one weak line must tame five strong lines, but here four strong lines are restrained by two weak lines; in addition to a minister, there is a prince, and the restraining power therefore is far stronger.*

*The hexagram has a threefold meaning, expressing different aspects of the concept Holding firm. Heaven within the mountain gives the idea of holding firm in the sense of holding together; the trigram Ken, which holds the trigram Ch'ien still, gives the idea of holding firm in the sense of holding back; the third idea is that of holding firm in the sense of caring for and nourishing. This last is suggested by the fact that a strong line at the top, which is the ruler of the hexagram, is honored and tended as a sage. The third of these meanings also attaches specifically to this strong line at the top, which represents the sage.*

#### *THE JUDGMENT*

*THE TAMING POWER OF THE GREAT.*

*Perseverance furthers.*

*Not eating at home brings good fortune.*

*It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality.*

However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.

## 2) THE ADVICE

*Heaven within the mountain:*

*The image of THE TAMING POWER OF THE GREAT.*

*Thus the superior man acquaints himself with many sayings of antiquity*

*And many deeds of the past, In order to strengthen his character thereby.*

*Heaven within the mountain points to hidden treasures. In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters. The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past.*

## 3) THE LINES:

*Nine in the second place means:*

*The axletrees are taken from the wagon.*

*Here advance is checked just as in the third line of THE TAMING POWER OF THE SMALL (9). However, in the latter the restraining force is slight; thus a conflict arises between the propulsive and the restraining movement, as a result of which the spokes fall out of the wagon wheels, while here the restraining force is absolutely superior; hence no struggle takes place. One submits and removes the axletrees from the wagon - in other words, contents himself with waiting. In this way energy accumulates for a vigorous advance later on.*

*Nine in the third place means:*

*A good horse that follows others.*

*Awareness of danger,*

*With perseverance, furthers.*

*Practice chariot driving and armed defense daily.*

*It furthers one to have somewhere to go.*

*The way opens; the hindrance has been cleared away. A man is in contact with a strong will acting in the same direction as his own, and goes forward like one good horse following another. But danger still threatens, and he must remain aware of it, or he will be robbed of his firmness. Thus he must acquire skill on the one hand in what will take him forward, and on the other in what will protect him against unforeseen attacks. It is good in such a pass to have a goal toward which to strive.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 27 – I - The Corners of the Mouth (Providing Nourishment)*

*This hexagram is a picture of an open mouth; above and below are the firm lines of the lips, and between them the opening. Starting with the mouth, through which we take food for nourishment, the thought leads to nourishment itself. Nourishment of oneself, specifically of the body, is represented in the three lower lines, while the three upper lines represent nourishment and care of others, in a higher, spiritual sense.*

## THE JUDGMENT

### THE CORNERS OF THE MOUTH.

*Perseverance brings good fortune.  
Pay heed to the providing of nourishment  
And to what a man seeks  
To fill his own mouth with.*

*In bestowing care and nourishment, it is important that the right people should be taken care of and that we should attend to our own nourishment in the right way. If we wish to know what anyone is like, we have only to observe on whom he bestows his care and what sides of his own nature he cultivates and nourishes. Nature nourishes all creatures. The great man fosters and takes care of superior men, in order to take care of all men through them.*

*Mencius says about this:*

*If we wish to know whether anyone is superior or not, we need only observe what part of his being he regards as especially important. The body has superior and inferior, important and unimportant parts. We must not injure important parts for the sake of the unimportant, nor must we injure the superior parts for the sake of the inferior. He who cultivates the inferior parts of his nature is an inferior man. He who cultivates the superior parts of his nature is a superior man. 1*

## THE IMAGE

*At the foot of the mountain, thunder: The image of PROVIDING NOURISHMENT.  
Thus the superior man is careful of his words  
And temperate in eating and drinking.*

*"God comes forth in the sign of the Arousing" 2: when in the spring the life forces stir again, all things come into being anew.*

*"He brings to perfection in the sign of Keeping Still": thus in the early spring, when the seeds fall to earth, all things are made ready.*

*This is an image of providing nourishment through movement and tranquility. The superior man takes it as a pattern for the nourishment and cultivation of his character. Words are a movement going from within outward. Eating and drinking are movements from without inward. Both kinds of movement can be modified by tranquility. For tranquility keeps the words that come out of the mouth from exceeding proper measure, and keeps the food that goes into the mouth from exceeding its proper measure. Thus character is cultivated.*

## Qiagen NV QGEN under CEO Peer M. Schatz

Peer M. Schatz's Performance:	ROI= 15.06%	Annualized Return= 1.86%
SPY performance	ROI= (0.59%)	Annualized Return= (0.08%)

Peer M. Schatz became CEO of Qiagen on January 1, 2004. Since then, he has outperformed the SPY. He drew no positive lines (Good Fortune) so the Judgment applies:  
*Perseverance furthers. Not eating at home brings good fortune. It furthers one to cross the great water.*

Not eating at home means to earn one's bread by entering upon public office. Does this mean the Qiagen should provide services to the government?

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no Moving Lines.

#### **4) THE MOVING HEXAGRAM**

There is no Moving hexagram because there are no moving lines. The Judgment becomes the focusing point.

*Perseverance furthers.  
Not eating at home brings good fortune.  
It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.*

## **27 THE CORNERS OF THE MOUTH** **(PROVIDING NOURISHMENT)**

### **MANAGERIAL ISSUE:**

The CEO - managing to nourish the corporation, its customers, employees and shareholders.

Hexagram 27 is a Time Space where the CEO must focus on providing the corporation and everyone related to it, with the necessary nourishment for their physical, mental and spiritual advancement. In particular, he should provide sufficient knowledge to strengthen the corporation both economically and morally.

The Superior CEO Nourishes the corporation by making sure:

- 1) Suppliers of machinery, equipment, and raw materials provide the corporation only with what is necessary and that they deliver it just in time and at a fair price. The Japanese are great at this. They supply the corporation with only the right amount of raw material and spare parts rather than allow the corporation to become full of costly inventory.
- 2) Employees are properly paid, educated and motivated.
- 3) Supervisors are paid well above the other employees to clearly distinguish them from the rest, and properly educated to prepare them for higher positions.
- 4) Top management continuously reviews all supervisors and employees to pick those who might make it to the top if given education and greater responsibilities.

### **MANAGERAL LESSON:**

The I Ching distinguishes:

Between:

- The Superior CEO who provides for the advancement of the corporation's top priority projects and thereby builds a better corporation, and
- The inferior CEO who provides for the corporation's lower priority projects and thereby destroys the corporation.

Between:

- The Superior CEO who provides for the better spirits of the employees, and
- The inferior CEO who robs the corporation of its winning spirit.

### The Superior CEO:

- 1) Provides for the right projects and employees and does it in the right way. He does not waste resources investing in the wrong projects. And he does it with a peaceful attitude. He knows the proper attitude is needed when providing for the development of the corporation, for it would be most difficult to do so under a climate of fear.
- 2) Studies and knows his competitors well. For instance, by studying his competitors' flow of funds, he finds out which of his competitors' corporate divisions are getting the most funds (Nourishment) so as to know whether his competing CEOs care for the really important or for the superficial.
- 3) Is careful of his words, and exercises an easy going in his attitude.

### **INVESTMENT ADVICE:**

For the investor, the NOURISHMENT is in general a favorable Time-Space to invest. This is springtime. A time for investing, waiting patiently, persevering until the corporation becomes profitable. This is also a time to keep all plans secret and make sure competitors cannot copy any of the corporation's plans.

By itself (no lines) the Hexagram is positive because nourishment brings good fortune.

*THE CORNERS OF THE MOUTH.  
Perseverance brings good fortune.  
Pay heed to the providing of nourishment  
And to what a man seeks  
To fill his own mouth with.*

*In bestowing care and nourishment, it is important that the right people should be taken care of and that we should attend to our own nourishment in the right way. If we wish to know what anyone is like, we have only to observe on whom he bestows his care and what sides of his own nature he cultivates and nourishes. Nature nourishes all creatures. The great man fosters and takes care of superior men, in order to take care of all men through them.*

The lines present three good possibilities of investing in the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> places.

### **THE LINES**

#### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders – failing at it because of envy.

**Managerial Lesson:** Be grateful.

**Managerial Warning:** At the first stage of the Nourishment Time-Space, the CEO has all the resources to strengthen (nourish) the corporation but fails to do so miserably; instead, he spends his time complaining that the other corporations are better. This in turn, makes the other CEOs of the competing corporations look upon him with contempt.

**Managerial Advice:** the Superior CEO is grateful to Heaven for giving him the capacity to be self-reliant and thereby live freely and independently. He is content with his Heaven sent gifts as well as those gifts Heaven has given his competitors. He knows the union of all the gifts of Heaven to men is added up for the benefit of all mankind.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders— failing by avoiding his responsibilities.

**Managerial Lesson:** Be responsible.

**Managerial Warning:** At the second stage of the Nourishment Time-Space, the CEO who could access all the resources to strengthen his corporation, fails to do so. His excuse is that he does not have the resources to do it. He goes as far as to request the assistance of the suppliers and even of the competitors. This is the behavior of an inferior CEO who can only bring shame to the corporation and its employees. This cannot last for long.

**Managerial Advice:** The Superior CEO provides his own means of nourishment. He does not cut corners when it comes to applying the proper way of obtaining a living. He is not afraid to accept help provided this does not become a policy for obtaining the Nourishment for the corporation.

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders— providing the corporation with the wrong nourishment.

**Managerial Lesson:** Be proper.

**Managerial Warning:** At the third stage of the Nourishment Time-Space, the CEO provides the corporation with the wrong nourishment, including the raw material, suppliers, education, and training and even moral standards. The reason the nourishment is wrong is because the CEO's aim is to pursue the trivial rather than the fundamental. This reflects poorly on the CEO as a person.



**Managerial Advice:** the Superior CEO knows that the wrong business philosophy, like the wrong food, does not strengthen the corporation but rather weakens it.

**Investment Advice:** Do not invest

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders— achieving it by humbly looking for the best executives.

**Managerial Lesson:** Be committed.

**Managerial Warning:** At the fourth stage of the Nourishment Time-Space, the CEO succeeds in properly providing Nourishment to the corporation with the help of able executives as well as with his own tenacity.

**Managerial Advice:** the Superior CEO strives to let his light shine forth and knows this would require helpers because he cannot attain his lofty aim alone. Therefore, he is relentless in his search for the right people, aggressively attracting the best executives by providing them with rewards and high positions.. Such obsessive search for talent is not bad because his aim is for the common good of all rather than for his own personal profit.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders— succeeding by being aware of his limitations.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the fifth stage of the Nourishment Time-Space, the CEO becomes very much aware of his limitations as a CEO.

**Managerial Advice:** The Superior CEO is aware of his own inefficiencies, such as his lack of strength. To correct them, he:

- Seeks the help of an external advisor who is spiritually superior to him and who will assist him in finding the right type of Nourishment (provisions) for the corporation.
- Follows the recommendations of the external advisor, and finds the right answers.

But, above all, the secret to his success will lie in accepting his limitations. Such limitations will force the CEO to:

- First (and always) depend on his advisors to avoid making serious mistakes, and
- Second, avoid undertaking great projects, even if he counts with the help of bright external advisor.

**Investment Advice:** Invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO - managing to nourish the corporation, its customers, employees and shareholders— wisely achieving it because of his humility.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the sixth stage of the Nourishment Time-Space, the CEO comes from outside the corporate culture. He has lots of wisdom and knowledge and should easily provide for all the corporation's needs - physical, mental and spiritual.

**Managerial Advice:** The Superior CEO always keeps in mind the difficulty of his position as an outsider. This keeps him humble. His humility helps him to succeed and to undertake very profitable projects.

**Investment Advice:** Invest.

## **28 PREPONDERANCE OF THE GREAT**

### **MANAGERIAL ISSUE:**

The CEO – managing the Preponderance of the Great – a risky corporate imbalance or dependence on a single item for its success.

Hexagram 28 is one of the Hexagrams, which are part of the lesser side of the YIN. We can picture it in terms of a clock with the YANG force going down from the right hand side from 12 to 3 to 6 and the YIN force going up on the left hand side from 6 to 9 to 12. We can place this corporation between 9 and 12.

The Preponderance of the Great Time-Space refers to a very successful corporation, which is going through extraordinary times; however, its success has been dependent upon a particular item – whether it is in the form of particular product, supplier, customer or employees. Such extraordinary times require the CEO make extraordinary changes to keep it profitable.

These are very favorable times for the corporation because they are due to cyclicity (Heaven sent). It would appear that nothing could stop the corporation. However, these favorable times tend to be short lived. The situation is very dangerous, so much so that if left unattended it will definitely lead to the collapse of the corporation.

### **MANAGERIAL LESSON:**

The Superior CEO knows that:

- 1) To rely on any particular item for the corporation's success would create a dangerous dependence on such item.
- 2) The key to reducing this risk lies on his ability to manage the diversification process because the times require the CEO make substantial changes in the corporation.
- 3) The diversification should be made cautiously - not in a revolutionary way but rather in a progressive and gradual way – by gentle penetration.
- 4) The times of the Preponderance of the Great are temporary. He must diversify to ensure the corporation's survival.

The Superior CEO knows he has excellent chances for success provided he:

- 1) Diversifies the responsibility. This would ensure the corporation's success would not rest on the shoulder of a single group, product, customers, or supplier. For instance, in the case when the corporation's success is due to a particular group of employees, the CEO must get Human Resources to work as quickly as possible to redistribute the responsibility and create a more balanced situation. This would strengthen all the employees' position in the corporation and avoid its collapse.

- 2) Is firm when making changes. The Superior CEO does not stop making changes for fear his actions would revert in a hostile manner against the corporation. For instance, in the case the corporation's success is due to a particular group of employees, the CEO should not fear a strike or a takeover when reassigning jobs because this small group of employees does not have much power not matter how successful they have been in the past.
- 3) Works to strengthen the corporation's greatest weakness. For instance, in the case a small group of mid-level employees is responsible for the success of the corporation: the greatest weakness would lie on its lower ranking employees and its top management, while the greatest strength would lie in the middle where all the competent employees are. In this case, even though he knows this middle has all the characteristics to continue to keep this corporation a winning one, his main concern should be to rebalance such "Preponderance of the Great" by strengthening the weaker managerial levels.
- 4) Uses incentives rather than force when making changes. In the case a small group of employees is responsible for the success of the corporation the Superior CEO knows that these same employees he has to reassign are the ones who are responsible for the success of the corporation. Thus he is very careful in how he sells the idea of reassigning the people on whom he relies for his own success. The Superior CEO does not use force when changing what makes the corporation successful. This is particularly true when dealing with intelligent employees. The answer lies in appreciation, communication and rewards. This is time for the carrot not the stick.
- 5) Realizes the solution does not lie on the sudden elimination of the incompetent employees, because it could give way to the complete collapse of a particular management level. The way out is to "transform" if possible the weaker levels and to convert them into a working team, but not by force but by creating the necessary conditions for the best to remain, and by default or by lack of rewards to eliminate the incompetent. This will bring the best men to the corporation and in time will strengthen the corporate structure.
- 6) Maintains a positive attitude – to stand for his beliefs even if no one else will support him. The I Ching speaks of this attitude as one of a tree standing firm even if alone, and of joy rather than fear even if giving up the world.

## **INVESTMENT ADVICE:**

For the investor, the Preponderance of the Great Time-Space is not the best of times to invest. How could it be if there is too much weight in the middle and a lack of corporate balance?

By itself (no lines) the Hexagram is relatively positive because it points to the possibility of success but provided one has somewhere to go.

*PREPONDERANCE OF THE GREAT.  
The ridgepole sags to the breaking point.  
It furthers one to have somewhere to go.  
Success.*

*The weight of the great is excessive. The load is too heavy for the strength of the supports. The ridgepole, on which the whole roof rests, sags to the breaking point, because its supporting ends are too weak for the load they bear. It is an exceptional time and situation; therefore extraordinary measures are demanded. It is necessary to find a way of transition as quickly as possible, and to take action. This promises success. For although the strong element is in excess, it is in the middle, that is, at the center of gravity, so that a revolution is not to be feared. Nothing is to be achieved by forcible measures.*

*The problem must be solved by gentle penetration to the meaning of the situation (as is suggested by the attribute of the inner trigram, Sun); then the change-over to other conditions will be successful. It demands real superiority; therefore the time when the great preponderates is a momentous time.*

It presents one Good Fortune opportunity in the Fourth line. The second line presents a reasonable opportunity. The rest of the lines point to the inability of the CEO to manage the Preponderance of the Great.

## **THE LINES:**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the Preponderance of the Great – a risky corporate imbalance or dependence on a single item for its success – properly applying excessive caution.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the first stage of the Preponderance of the Great Time-Space, the Superior CEO initiates the rebalancing (diversification) of the corporation to lower its dependence on a single item for its success.

**Managerial Advice:** The Superior CEO recognizes that at this first stage, he must apply extraordinary caution when managing through these extraordinary times. He knows extraordinary caution is the proper attitude even if it would appear to be too exaggerated. In the case a small group of employees is responsible for the success of the corporation, the Superior CEO will protect the corporation by rebalancing the “preponderance” with an intense training program for the younger employees. He will do it with caution because of the extraordinary times the corporation is living under.

**Investment Advice:** Do not invest.

## **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the preponderance of the great – a risky corporate imbalance or dependence on a single item for its success– wisely reaching out for the lower ranks.

**Managerial Lesson:** Be motivational.

**Managerial Warning:** At the second stage of the Preponderance of the Great Time-Space, the CEO takes the corporation through a time of *“an extraordinary reanimation of the processes of growth.”*

**Managerial Advice:** The Superior CEO places great emphasis in the education and stimulation of the corporation’s employees, especially the lower ranking ones. He understands it is imperative that the more knowledgeable/capable employees must educate the less knowledgeable/capable ones so as to create a single winning team given the less capable ones cannot do the job by themselves. The Superior CEO ensures the education program’s success and completion by compensating the more capable ones for their participation.

**Investment Advice:** Invest.

## **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the Preponderance of the Great – a risky corporate imbalance or dependence on a single item for its success – failing to listen.

**Managerial Lesson:** Be attentive/listen.

**Managerial Warning:** At the third stage of the Preponderance of the Great Time-Space, the CEO fails to listen to the warning of danger. He willfully plunges ahead in the rebalancing of the corporation. He and his top executives fail to pay attention to the needs or to the recommendations of the few employees who are making this corporation a success (those who have the Preponderance). Instead, he continues to rely on this group for the corporation’s success but without paying attention to their demands. The result is placing too much responsibility on the group to make the corporation a success while insulting them with outright rejection and complete lack of support. This excess of weigh will only lead to failure, and top management’s policies will fall by their own weigh.

**Managerial Advice:** The Superior CEO listens, particularly to those who are making the corporation a success. He recognizes merit specially when he is rebalancing the corporation’s responsibilities.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the preponderance of the great – a risky corporate imbalance or dependence on a single item for its success – successfully reaching out to the lower ranks.

**Managerial Lesson:** Be friendly.

**Managerial Warning:** At the fourth stage of the Preponderance of the Great Time-Space, the CEO makes sure he has the corporation's success in mind and not his own personal gain.

**Managerial Advice:** The Superior CEO uses a friendly attitude to win over the good will and the support of the groups not participating in the corporation's success. This friendly attitude creates the right atmosphere for their education and their preparation for their future challenges. In this way he relieves pressure from the smaller group achieving success. The Superior CEO first wins the trust of those groups that have been left out and then gently persuades them to carry out their goals.

**Investment Advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the Preponderance of the Great – a risky corporate imbalance or dependence on a single item for its success – failing to reach the lower ranks, maintaining relations with the higher ranks only.

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the fifth stage of the Preponderance of the Great Time-Space, the CEO and his top management fail to win over the good will and the support of those groups not participating in the corporation's success. He fails to both create the right atmosphere for their education and to relieve pressure from the smaller group responsible for the corporation's success. This gives rise to a strange bond between the not so capable and the very small group of producers which will, in turn, create a serious lack of balance within the corporation.

**Managerial Advice:** The Superior CEO reaches out for the other group of producers, and establishes a relationship of trust with lower management and the lower ranking employees to persuade and educate them. He knows this would be very productive for the corporation.

**Investment Advice:** Do not invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the Preponderance of the Great – a risky corporate imbalance or dependence on a single item for its success– forcefully fixing the corporation's imbalance.

**Managerial Lesson:** Be measured.

**Managerial Warning:** At the sixth stage of the Preponderance of the Great Time-Space, the CEO recognizes the corporation's unusual imbalance and tries to force radical changes. He fails to listen to the other points of views.

**Managerial Advice:** The Superior CEO knows forced measures are not THE TAO because such measures would only show his lack of humility and would only serve to inflate his ego. This is the beginning of the corporation's downfall. The Superior CEO understands that even if his motives are noble in pushing his points of view to achieve success, those motives do not give him the right to humiliate the rest of the employees.

**Investment Advice:** Do not invest.



## **29 THE ABYSMAL** **(REPETITION OF DANGER)**

### **MANAGERIAL ISSUE:**

The CEO – managing danger.

The CEO finds himself and his corporation under a dangerous position. The I Ching would say the CEO and his corporation are trapped very much the way three elements get trapped:

- The water, which gets trapped within a pit as it falls from a precipice,
- The heart, which is trapped within the body, and
- The light, which is trapped inside darkness.

### **MANAGERIAL LESSON:**

The Superior CEO - to get out of dangerous conditions, he must:

- 1) Develop the proper attitude to manage under dangerous conditions by looking deeply into it. He must never accept danger as a no way out situation. There is always a way out, but to find it the CEO must develop the proper winning attitude.
- 2) Draw on his previous experience on managing danger. By getting accustomed to danger he generates more experiences on dealing with danger. That is, the CEO must have lived throughout similar conditions of danger to know how to manage danger. Drawing on his experiences is critical for the CEO's success. This is a clear message to the Board of Director when it comes to choosing the proper CEO of a corporation in trouble – he must have experience in managing under dangerous conditions.
- 3) Follow the example of the water:
  - a) The water faces the danger of the waterfall by heading straight into it, making no effort to avoid it – a deliberately passive attitude similar to the “docility of the cow”. But once it is down in the pit, the water begins to get out of this new predicament by filling it or overwhelming it until it finds the borders and overflows the pit and continues on its way – a winning attitude is needed to find its way out.
  - b) The water uses the right amount needed to overwhelm the pit; no more, no less – the proper balanced attitude. This means that, for instance, when the CEO faces a managerial gap, he fills it with the right amount, and only the right amount of executives to fix the problem, but never exceeding the amount needed. Then the CEO continues to send the right amount of executives to the other various places where they are needed, but never will he back away from his commitments. Like the water facing the waterfall, the CEO should rush straight into it, knowing full well that once he is inside the hole, he will come out of it. Always uses the right amount of resources to overcome the pit.

- 4) Channel danger properly to profit the most from it. Because danger and opportunity are the two sides of the same coin, the Superior CEO can actually profit from a dangerous situation if he knows how to manage it.

The I Ching says: *“As an image it represents water, the water that comes from above and is in motion on earth in streams and rivers, giving rise to all life on earth.”*

### **The Superior CEO uses the following key elements in managing danger:**

- 1) Planning. The Superior CEO draws his plans placing particular attention to those areas where he detects danger and makes them his top priority. This attitude of facing danger squarely or being truthful to himself (to your own self be true) as well as to others will awaken within the CEO's consciousness the necessary intuition for success. Every CEO, who in the planning stages foresees and dominates the theoretically dangerous situations in all its aspects even before he actually faces them, has already dominated the real danger. The Superior CEO will not freeze when managing danger.

- 2) Motion. This is perhaps one of the key elements in managing danger because danger is not a condition where we can overstay. To face danger, the CEO must dominate motion and speedy action. The CEO, like a good general (Napoleon) must recognize the superiority of motion/mobility to defeat any danger.

- 3) Defense. To defend the corporation against possible raiders, the Superior CEO lets his enemies know that the corporation is full of dangers, which only he and his managerial team alone are capable of dominating. This makes the raiders think twice before trying to buy it out. The “shark repellent” and “poison pill” strategies must be implemented.

- 4) Loyalty. To generate loyalty from his employees, the Superior CEO makes sure they know there will always be dangerous situations, which he and his managerial team can solve.

- 5) Training and education. Perhaps one of the greatest dangers the CEO must face is ignorance - lack of knowledge of the workers and managers. A Superior CEO is willing to spend all the necessary resources to train and educate all the employees. In this way, he creates more value added to the work of each employee and makes sure that their product will be better than that of its competitors. This education effort is not just a passing fad. The educational effort must be a constant element so that all the employees year after year continue to receive all kinds of courses. Such courses should not only be directly related to their own work but to all the areas of the corporation so that employees' input will always be greater. Education, education, always, always, always education.

### **INVESTMENT ADVICE:**

For the investor, the Abysmal (Danger) Time-Space is not the best of times to invest. Few CEOs can manage through such difficult conditions.

By itself (no lines) the Hexagram is not positive.

*The Abysmal repeated.  
If you are sincere, you have success in your heart,  
And whatever you do succeeds.*

*Through repetition of danger we grow accustomed to it. Water sets the example for the right conduct under such circumstances. It flows on and on, and merely fills up all the places through which it flows; it does not shrink from any dangerous spot nor from any plunge, and nothing can make it lose its own essential nature. It remains true to itself under all conditions. Thus likewise, if one is sincere when confronted with difficulties, the heart can penetrate the meaning of the situation. And once we have gained inner mastery of a problem, it will come about naturally that the action we take will succeed. In danger all that counts is really carrying out all that has to be done – thoroughness - and going forward, in order not to perish through tarrying in the danger.*

*Properly used, danger can have an important meaning as a protective measure. Thus heaven has its perilous height protecting it against every attempt at invasion, and earth has its mountains and bodies of water, separating countries by their dangers. Thus also rulers make use of danger to protect themselves against attacks from without and against turmoil within.*

There are no Good Fortune lines in the entire Hexagram and therefore no lines that could be considered a recommendation to invest. This is only natural given the Abysmal represents an extremely difficult time for the corporation. Almost all lines point to the inability of the CEO to manage the Abysmal. In a couple of instances, the CEO might be able to manage to survive, but survival is not a substitute for growth.

The following cases are those of corporations under Abysmal Time-Space:

- **Micron Technology Inc. MU under CEO Steven R. Appleton**
- **Amazon.com Inc. AMZN under CEO Jeffrey P. Bezos**
- **Biogen Idec Inc. BIIB under CEO George A. Scangos**

(Read at end of Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing danger – fails to move in the face danger.

**Managerial Lesson:** Be in motion.

**Managerial Warning:** At the first stage of the Abysmal Time-Space, the CEO and his corporation face a considerable danger; however, he is so accustomed to seeing the corporation under dangerous conditions that he has forgotten there are other more normal conditions. Danger cannot be a perennial corporate condition. Unfortunately, he might well be

corrupt himself and might have lost his way (TAO). His reckless behavior will only produce losses.

**Managerial Advice:** The Superior CEO uses motion to bring the corporation back to equilibrium. He never stays put in the face of the initial face danger.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing danger – moving too quickly in the face of danger.

**Managerial Lesson:** Be methodical.

**Managerial Warning:** At the second stage of the Abysmal Time-Space, the CEO and his corporation face a considerable danger from powerful forces, which oppose its progress. He might attempt to get out of danger too fast. He might lack the discipline necessary to keep the corporation out of danger.

**Managerial Advice:** The Superior CEO follows a series of gradual steps when facing danger. The first step is to be grateful the corporation survived the danger, and the second is to gradually overcome the danger on a step-by-step basis. The Superior CEO realizes that under the threat of danger he can only hope to attain small gains. His main objective is to see the corporation survive these dangers. The gradual steps help him maintain the discipline to keep the corporation out of danger.

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing danger – acting at the wrong time.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the third stage of the Abysmal Time-Space, the CEO and his corporation face a very dangerous situation without an apparent way out.

**Managerial Advice:** The Superior CEO refrains from action when any action on his part could only lead to grave errors. He knows refraining from action is as important as acting when necessary. He is patient and exercises a degree of self-discipline to refrain from acting. In this way, the Superior CEO patiently awaits until the way out becomes evident to him.

**Investment Advice:** Do not invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing danger – planning and prioritizing when facing danger.

**Managerial Lesson:** Be sincere.

**Managerial Warning:** At the fourth stage of the Abysmal Time-Space, the CEO and his corporation face a considerable danger which requires the utmost sincerity to differentiate between the superfluous and the really important. Humility is once again crucial. Like a desperate man who is drowning and whose first priority is breathing, the CEO must order the priorities according to the actual situation, forgetting completely about the superfluous.

**Managerial Advice:** The Superior CEO:

- Sincerely acknowledges the dangers the corporation faces, and
- Establishes a clear set of priorities for dealing with this danger with the basics or the obvious, with that which is in everyone's sight, with what is in the light. He knows only then will the rest of the priorities come to light.

**Investment Advice:** Do not invest.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing danger – caused by his excessive ambition.

**Managerial Lesson:** Be still.

**Managerial Warning:** At the fifth stage of the Abysmal Time-Space, the CEO and his corporation face a dangerous condition; however, even so, he tries to accomplish great tasks.

**Managerial Advice:** The Superior CEO remains quiet and allows the danger to pass. He knows that any interference in this dangerous condition by trying to do too much, could turn a passing danger condition into a permanent one. At times of danger the Superior CEO postpones any grand project/investment.

**Investment Advice:** Do not invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing danger – failing to face danger because of his own corruption and ignorance.

**Managerial Lesson:** Be virtuous.

**Managerial Warning:** At the sixth stage of the Abysmal Time-Space, the CEO and his corporation face a situation so dangerous that there is no way out. The cause of this situation is

that he not only missed the opportunity to turn the corporation into a profitable operation, but now he has locked himself within his own corruption and misery.

**Managerial Advice:** The superior CEO:

- *walks in lasting virtue, and*
- *carries on the business of teaching.*

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Micron Technology Inc. MU under CEO Steven R. Appleton**

Steven Appleton's Performance:	ROI= (47.53%)	Annualized Return= (14.23%)
SPY performance	ROI= (20.14%)	Annualized Return= (5.21%)

Steven Appleton became CEO of Micron Technology in June 2007. Since then, he has done much worse than the SPY which is typical of a corporation under the Abysmal Time-Space. Unfortunately, he drew lines three and four which are not auspicious for the CEO. In particular, the third line shows he was not supposed to make any moves during these times of danger Micron Technology is going through. He was supposed to wait until a way out would show itself.

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 29 - K'an - The Abysmal (Water)*

*This hexagram consists of a doubling of the trigram K'an. It is one of the eight hexagrams in which doubling occurs. The trigram K'an means a plunging in. A yang line has plunged in between two yin lines and is closed in by them like water in a ravine. The trigram K'an is also the middle son. The Receptive has obtained the middle line of the Creative, and thus K'an develops. As an image it represents water, the water that comes from above and is in motion on earth in streams and rivers, giving rise to all life on earth.*

*In man's world K'an represents the heart, the soul locked up within the body, the principle of light inclosed in the dark - that is, reason. The name of the hexagram, because the trigram is doubled, has the additional meaning, "repetition of danger." Thus the hexagram is intended to designate an objective situation to which one must become accustomed, not a subjective attitude. For danger due to a subjective attitude means either foolhardiness or guile. Hence too*

*a ravine is used to symbolize danger; it is a situation in which a man is in the same pass as the water in a ravine, and, like the water, he can escape if he behaves correctly.*

## **THE JUDGMENT**

*The Abysmal repeated.  
If you are sincere, you have success in your heart,  
And whatever you do succeeds.*

*Through repetition of danger we grow accustomed to it. Water sets the example for the right conduct under such circumstances. It flows on and on, and merely fills up all the places through which it flows; it does not shrink from any dangerous spot nor from any plunge, and nothing can make it lose its own essential nature. It remains true to itself under all conditions. Thus likewise, if one is sincere when confronted with difficulties, the heart can penetrate the meaning of the situation. And once we have gained inner mastery of a problem, it will come about naturally that the action we take will succeed. In danger all that counts is really carrying out all that has to be done – thoroughness - and going forward, in order not to perish through tarrying in the danger.*

*Properly used, danger can have an important meaning as a protective measure. Thus heaven has its perilous height protecting it against every attempt at invasion, and earth has its mountains and bodies of water, separating countries by their dangers. Thus also rulers make use of danger to protect themselves against attacks from without and against turmoil within.*

## **2) THE ADVICE**

*Water flows on uninterruptedly and reaches its goal: The image of the Abysmal repeated.  
Thus the superior man walks in lasting virtue  
And carries on the business of teaching.*

*Water reaches its goal by flowing continually. It fills up every depression before it flows on. The superior man follows its example; he is concerned that goodness should be an established attribute of character rather than an accidental and isolated occurrence. So likewise in teaching others everything depends on consistency, for it is only through repetition that the pupil makes the material his own.*

## **3) THE LINES:**

*Six in the third place means:  
Forward and backward, abyss on abyss.  
In danger like this, pause at first and wait,  
Otherwise you will fall into a pit in the abyss.  
Do not act in this way.*

*Here every step, forward or backward, leads into danger. Escape is out of the question. Therefore we must not be misled into action, as a result of which we should only bog down deeper in the danger; disagreeable as it may be to remain in such a situation, we must wait until a way out shows itself.*

Six in the fourth place means:

*A jug of wine, a bowl of rice 1' with it*

*Earthen vessels*

*Simply handed in through the window.*

*There is certainly no blame in this.*

*In times of danger ceremonious forms are dropped. What matters most is sincerity. Although as a rule it is customary for an official to present certain introductory gifts and recommendations before he is appointed, here everything is simplified to the utmost. The gifts are insignificant, there is no one to sponsor him, he introduces himself; yet all this need not be humiliating if only there is the honest intention of mutual help in danger.*

*Still another idea is suggested. The window is the place through which light enters the room. If in difficult times we want to enlighten someone, we must begin with that which is in itself lucid and proceed quite simply from that point on.*

1. The usual translation, "two bowls of rice," has been corrected on the basis of Chinese commentaries.

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 28 - Ta Kuo - Preponderance of the Great*

*This hexagram consists of four strong lines inside and two weak lines outside. When the strong are outside and the weak inside, all is well and there is nothing out of balance, nothing extraordinary in the situation. Here, however, the opposite is the case. The hexagram represents a beam that is thick and heavy in the middle but too weak at the ends. This is a condition that cannot last; it must be changed, must pass, or misfortune will result.*

#### **THE JUDGMENT**

**PREPONDERANCE OF THE GREAT.**

*The ridgepole sags to the breaking point.*

*It furthers one to have somewhere to go.*

*Success.*

*The weight of the great is excessive. The load is too heavy for the strength of the supports. The ridgepole, on which the whole roof rests, sags to the breaking point, because its supporting ends are too weak for the load they bear. It is an exceptional time and situation; therefore extraordinary measures are demanded. It is necessary to find a way of transition as quickly as possible, and to take action. This promises success. For although the strong element is in excess, it is in the middle, that is, at the center of gravity, so that a revolution is not to be feared. Nothing is to be achieved by forcible measures.*

*The problem must be solved by gentle penetration to the meaning of the situation (as is suggested by the attribute of the inner trigram, Sun); then the change-over to other conditions will be successful. It demands real superiority; therefore the time when the great preponderates is a momentous time.*



## THE IMAGE

*The lake rises above the trees: The image Of PREPONDERANCE OF THE GREAT.  
Thus the superior man, when he stands alone,  
Is unconcerned,  
And if he has to renounce the world,  
He is undaunted.*

*Extraordinary times when the great preponderates are like flood times when the lake rises over the treetops. But such conditions are temporary. The two trigrams indicate the attitude proper to such exceptional times: the symbol of the trigram Sun is the tree, which stands firm even though it stands alone, and the attribute of Tui is joyousness, which remains undaunted even if it must renounce the world.*

## **Amazon.com Inc. AMZN under CEO Jeffrey P. Bezos**

Jeffrey Bezos's Performance:	ROI=	12,718.16%	Annualized Return=	40.77%
SPY performance	ROI=	36.59%	Annualized Return=	2.22%

Jeffrey P. Bezos became CEO of Amazon in May 1996. Since then, he has outperformed the SPY many times over proving he has been a Superior CEO

However, because he has been CEO for 16 years, it is necessary to ask the Oracle every 7 or 10 years about his performance. The Oracle warns Bezos that in spite of his previous success, Amazon is in danger, particularly the sixth line which points to misfortune. After all, Amazon has eaten the lunch of many corporations and industries such as the publishing industry and they are not going to take it so easily. It is possible that the tablets will take away the success of the Kindle or that Apple will sell more eBooks or new disruptive technologies will appear in the next decade. Whatever the reason, the Oracle's warning to Bezos is that Amazon is in the Abyss Time Space.

This is the I Ching's warning to Jeff Bezos going forward from 2011 on.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six in the fourth place means:

*A jug of wine, a bowl of rice 1' with it  
Earthen vessels  
Simply handed in through the window.  
There is certainly no blame in this.*

*In times of danger ceremonious forms are dropped. What matters most is sincerity. Although as a rule it is customary for an official to present certain introductory gifts and recommendations before he is appointed, here everything is simplified to the utmost. The gifts are insignificant, there is no one to sponsor him, he introduces himself; yet all this need not be humiliating if only there is the honest intention of mutual help in danger.*

*Still another idea is suggested. The window is the place through which light enters the room. If in difficult times we want to enlighten someone, we must begin with that which is in itself lucid and proceed quite simply from that point on.*

Six at the top means:

*Bound with cords and ropes,  
Shut in between thorn-hedged prison walls:  
For three years one does not find the way.  
Misfortune.*

*A man who in the extremity of danger has lost the right way and is irremediably entangled in his sins has no prospect of escape. He is like a criminal who sits shackled behind thorn-hedged prison walls.*

1. The usual translation, "two bowls of rice," has been corrected on the basis of Chinese commentaries.

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 06 – Sung - Conflict*

*The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.*

*The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.*

*A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.*

## THE JUDGMENT

*CONFLICT. You are sincere  
And are being obstructed.  
A cautious halt halfway brings good fortune.  
Going through to the end brings misfortune.  
It furthers one to see the great man.  
It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

## THE IMAGE

*Heaven and water go their opposite ways: The image of Conflict.  
Thus in all his transactions the superior man  
Carefully considers the beginning.*

*The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.*

## **Biogen Idec Inc. BIIB under CEO George A. Scangos**

George Scangos' Performance:	ROI= 85.49%	Annualized Return= 73.33%
SPY performance	ROI= 17.38%	Annualized Return= 15.33%

George Scangos became CEO of Biogen in July of 2010. Since then, he has done much better than the SPY. However, it is a bit early to evaluate his performance. What should keep the investor worried are the two lines which point to Misfortune, particularly the one in the sixth place.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*Repetition of the Abysmal.*

*In the abyss one falls into a pit.*

*Misfortune.*

*By growing used to what is dangerous, a man can easily allow it to become part of him. He is familiar with it and grows used to evil. With this he has lost the right way, and misfortune is the natural result.*

Six in the fourth place means:

*A jug of wine, a bowl of rice 1' with it*

*Earthen vessels*

*Simply handed in through the window.*

*There is certainly no blame in this.*

*In times of danger ceremonious forms are dropped. What matters most is sincerity. Although as a rule it is customary for an official to present certain introductory gifts and recommendations before he is appointed, here everything is simplified to the utmost. The gifts are insignificant, there is no one to sponsor him, he introduces himself; yet all this need not be humiliating if only there is the honest intention of mutual help in danger.*

*Still another idea is suggested. The window is the place through which light enters the room. If in difficult times we want to enlighten someone, we must begin with that which is in itself lucid and proceed quite simply from that point on.*

Six at the top means:

*Bound with cords and ropes,*

*Shut in between thorn-hedged prison walls:*

*For three years one does not find the way.*

*Misfortune.*

*A man who in the extremity of danger has lost the right way and is irremediably entangled in his sins has no prospect of escape. He is like a criminal who sits shackled behind thorn-hedged prison walls.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 10 – Lu - Treading (Conduct)*

*The name of the hexagram means on the one hand the right way of conducting oneself. Heaven, the father, is above, and the lake, the youngest daughter, is below. This shows the difference between high and low, upon which composure, correct social conduct, depends. On the other hand, the word for the name of the hexagram, TREADING, 1 means literally treading upon something. The small and cheerful [Tui] treads upon the large and strong [Ch'ien]. The direction of movement of the two primary trigrams is upward. The fact that the strong treads on the weak is not mentioned in the Book of Changes, because it is taken for granted. For the weak to take a stand against the strong is not dangerous here, because it happens in good humor [Tui] and without presumption, so that the strong man is not irritated but takes it all in good part.*

#### *THE JUDGMENT*

*TREADING.*

*Treading upon the tail of the tiger.*

*It does not bite the man.*

*Success.*

*The situation is really difficult. That which is strongest and that which is weakest are close together. The weak follows behind the strong and worries it. The strong, however, acquiesces and does not hurt the weak, because the contact is in good humor and harmless.*

*In terms of a human situation, one is handling wild, intractable people. In such a case one's purpose will be achieved if one behaves with decorum. Pleasant manners succeed even with irritable people.*

#### *THE IMAGE*

*Heaven above, the lake below: The image Of TREADING.*

*Thus the superior man discriminates between high and low,*

*And thereby fortifies the thinking of the people.*

*Heaven and the lake show a difference of elevation that inheres in the natures of the two, hence no envy arises. Among mankind also there are necessarily differences of elevation; it is impossible to bring about universal equality. But it is important that differences in social rank should not be arbitrary and unjust, for if this occurs, envy and class struggle are the inevitable consequences. If, on the other hand, external differences in rank correspond with differences in inner worth, and if inner worth forms the criterion of external rank, people acquiesce and order reigns in society.*

## **30 THE CLINGING (FIRE)**

### **MANAGERIAL ISSUE:**

The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans

Hexagram 30 the CLINGING Time-Space is represented by fire because it is composed of a double trigram of fire. It shows the double amount of light and points to the brilliance of the CEO and his managerial team. But that brilliancy cannot be executed if it does not count with the support of internal as well as external forces, such as the CEO's virtue (internal) and the employees of the corporation (external).

The Superior CEO knows that:

- 1) Everything in the Universe depends on something else to highlight its own character; for instance, light depends on darkness, fire depends on wood and the CEO depends on many internal as well as external factors.
- 2) He, just like fire, will eventually burn out in accordance to the natural cycles. It is only natural that whatever consumes itself to give light to others will eventually burn itself out completely. That is the price to pay for shining out and imparting knowledge on to others. Nothing that depends on something else for its survival is eternal. Only GOD is eternal because HE depends on nothing.

### **MANAGERIAL LESSON:**

The Superior CEO embraces that on which he depends: for instance:

- 1) Internal factors such, as integrity, honesty, vision and a proper attitude. The Superior CEO knows that if he holds on to his principles, lives by the rules under a strict code of ethics and cultivates a humble attitude, he will have the clarity of mind necessary to transform his corporation into the best in the industry. He understands that such success will in turn provide him with a long lasting position within the corporation, and make him grow to be a great man with penetrating insight, simplicity of ideas and clear thinking. By holding on to his virtues, the Superior CEO not only assures his survival while other CEOs are destroyed but becomes a role model for the employees and the other managers. The other CEOs might fall because they do not depend on basic values but rather improvise. He is humble and therefore recognizes his dependence on the employees for the proper execution of his plans. Thanks to his humility he develops his intuition, and learns to listen to his inner voice. He knows both qualities, humility and intuition, are the key to his success.
- 2) External factors such as employees, suppliers, clients, and government. The Superior CEO acknowledges his need for them to properly manage the corporation, to carry out his plans and to shine in the eyes of the shareholders. The Superior CEO behaves like the Sun at

noon. He irradiates his knowledge the way the Sun irradiates its light. He educates his employees, placing a lot of emphasis in human development through training.

## **INVESTMENT ADVICE:**

For the investor, the CLINGING is in general a favorable Time-Space to invest.

By itself (no lines) it represents an excellent investment opportunity provided the CEO clings to what is right so that he can shape the world.

*THE CLINGING.*

*Perseverance furthers.*

*It brings success.*

*Care of the cow brings good fortune.*

*What is dark clings to what is light and so enhances the brightness of the latter. A luminous thing giving out light must have within itself something that perseveres; otherwise it will in time burn itself out. Everything that gives light is dependent on something to which it clings, in order that it may continue to shine.*

*Thus sun and moon cling to heaven, and grain, grass, and trees cling to the earth. So too the twofold clarity of the dedicated man clings to what is right and thereby can shape the world. Human life on earth is conditioned and unfree, and, when man recognizes this limitation and makes himself dependent upon the harmonious and beneficent forces of the cosmos, he achieves success. The cow is the symbol of extreme docility. By cultivating in himself an attitude of compliance and voluntary dependence, man acquires clarity without sharpness and finds his place in the world.*

The lines offer two excellent possibilities to invest in the 2<sup>nd</sup> and the 5<sup>th</sup> lines.

The following cases are those of corporations under Clinging Time-Space:

- **JPMorgan Chase & Co. JPM under CEO James Dimon**
- **Fastenal Co. FAST under CEO Willard D. Oberton**
- **Check Point Software Technologies Ltd. CHKP under CEO Gil Shwed**

(Read at end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans – not depending on virtue creates a hasty beginning.

**Managerial Lesson:** Be virtuous.

**Managerial Warning:** At the first stage of the Clinging Time-Space, the CEO begins the execution of his plans. No doubt his ideas are brilliant, but this beginning, like all beginnings, is very chaotic, undisciplined and precipitated.

**Managerial Advice:** The Superior CEO, in the early stages of the execution of any plan, ensures his brilliant ideas are carried out by:

- Keeping an attitude of absolute seriousness, calmness and focus. He knows such attitude will allow him to CLING to the employees and for them to CLING to each other as a team to reach his objectives.
- Understanding that all beginnings already contain the essence of the end, that in all cause is the seed of the effect, that in all brilliant plans is the seed of the success or failure, and that all the Superior CEO has to do is carry the plan through to the end. This is one of the greatest truths of the I Ching and lessons for the CEO. This is also a Buddhist concept that in everyman there is a saint as well as a sinner.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans - successfully executing his brilliant plans by depending on his virtue and on the employees.

**Managerial Lesson:** Be balanced (hold to the mean).

**Managerial Warning:** At the second stage of the Clinging Time-Space, the CEO's managerial capacity is at its most efficient point. His brilliant plans are being executed smoothly, and all the employees easily follow his plans. Everything points to high corporate earnings.

**Managerial Advice:** The Superior CEO is humble when touched by the Heaven sent Supreme Good Fortune.

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans – his lack of virtue leads to a lack of clear thinking and inability to face the end.

**Managerial Lesson:** Be calmed.

**Managerial Warning:** At the third stage of the Clinging Time-Space, the CEO's managerial and leadership capacity is quickly decaying. He fails to depend on his virtues and thus fails to generate a brilliant plan. He fails to CLING or depend on the employees and thus fails to lead



them to success. This is part of the cycle of nature, which includes the wear and tear and the death of all that is material, including management.

**Managerial Advice:** The Superior CEO keeps his virtues and maintains his composure in the face of the inevitability of the approaching end. While most CEO's will either become reckless or depressed when facing the end, the Superior CEO stays focused on his goals and makes the most of the time left to him even if the end is near.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans – hurrying success leads to lack of clear thinking and failure.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the fourth stage of the Clinging Time-Space, the brilliant CEO turns aggressive and selfish. Like all fleeting stars, this CEO will only shine for a brief moment and in the end will burn out. But worst still, he will also burn that on which he depends, mainly the employees or the corporation, the same way fire finally consumes the wood entirely. This CEO wants quick results but cares little about the means to obtain them. He is certainly not interested in a long-range plan, or in educating the employees to look for long-term results. Unfortunately, the corporate world is so full of similar managers.

**Managerial Advice:** The Superior CEO is patient. He never aims for the quick results.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans – a profound contemplation of his errors leads to a rebirth and clear thinking.

**Managerial Lesson:** Be clear.

**Managerial Warning:** At the fifth stage of the Clinging Time-Space, the CEO has reached his zenith. From now on the road points to a decline, to a rupture in the bond between the CEO and the employees.

**Managerial Advice:** The Superior CEO does not lament for the material things, which he is about to lose, but rather concentrates on not losing his clear thinking. He knows:

- His clear thinking will allow him to keep his bond with the employees and the corporation.
- Only a real personal transformation on his part, brought about by his abandoning all vanity, can return him to once again clinging to his employees and his corporation.

**Investment Advice:** Invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing by clinging: to virtue for clarity of mind and to the employees for the execution of his plans – properly applying punishment.

**Managerial Lesson:** Be discriminating.

**Managerial Warning:** At the sixth stage of the Clinging Time-Space, the CEO must punish the guilty.

**Managerial Advice:** The Superior CEO eliminates those who lack merit but not for the purpose of punishment but for the sake of injecting discipline back to the corporation. He wisely eliminates only the higher-ranking executives who are doing the most damage to the corporation and allows their collaborators to remain. The Superior CEO applies this lesson on himself also, by eliminating only his real bad habits and tolerating the less significant ones. He knows extreme punishments produce bad results.

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **JPMorgan Chase & Co. JPM under CEO James Dimon**

James Dimon's Performance:	ROI= (9.97%)	Annualized Return= (1.85%)
SPY performance	ROI= (6.89%)	Annualized Return= (1.26%)

James Dimon became CEO of JPMorgan on 12/31/2005. Since then, he has not been able to outperform the SPY. Unfortunately, he drew the line four which points to a negative future.

He is not alone given that many banks are in very negative Time-Spaces.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 30 – Li - THE CLINGING, FIRE*

*This hexagram is another double sign. The trigram Li means "to cling to something," "to be conditioned, to depend or rest on something," and also "brightness". A dark line clings to two light lines, one above and one below - the image of an empty space between two strong lines, whereby the two strong lines are made bright. The trigram represents the middle daughter. The Creative has incorporated the central line of the Receptive, and thus Li develops. As an image, it is fire. Fire has no definite form but clings to the burning object and thus is bright. As water pours down from heaven, so fire flames up from the earth. While K'an means the soul shut within the body, Li stands for nature in its radiance.*

## THE JUDGMENT

### THE CLINGING.

*Perseverance furthers.*

*It brings success.*

*Care of the cow brings good fortune.*

*What is dark clings to what is light and so enhances the brightness of the latter. A luminous thing giving out light must have within itself something that perseveres; otherwise it will in time burn itself out. Everything that gives light is dependent on something to which it clings, in order that it may continue to shine.*

*Thus sun and moon cling to heaven, and grain, grass, and trees cling to the earth. So too the twofold clarity of the dedicated man clings to what is right and thereby can shape the world. Human life on earth is conditioned and unfree, and, when man recognizes this limitation and makes himself dependent upon the harmonious and beneficent forces of the cosmos, he achieves success. The cow is the symbol of extreme docility. By cultivating in himself an attitude of compliance and voluntary dependence, man acquires clarity without sharpness and finds his place in the world. 1*

## 2) THE ADVICE

*That which is bright rises twice: The image of FIRE.*

*Thus the great man, by perpetuating this brightness, illumines the four quarters of the world.*

*Each of the two trigrams represents the sun in the course of a day. The two together represent the repeated movement of the sun, the function of light with respect to time. The great man continues the work of nature in the human world. Through the clarity of his nature he causes the light to spread farther and farther and to penetrate the nature of man ever more deeply.*

## 3) THE LINES:

*Nine in the fourth place means:*

*Its coming is sudden;*

*It flames up, dies down, is thrown away.*

*Clarity of mind has the same relation to life that fire has to wood. Fire dings to wood, but also consumes it. Clarity of mind is rooted in life but can also consume it. Everything depends upon*

how the clarity functions. Here the image used is that of a meteor or a straw fire. A man who is excitable and restless may rise quickly to prominence but produces no lasting effects. Thus matters end badly when a man spends himself too rapidly and consumes himself like a meteor.

#### 4) THE MOVING HEXAGRAM

HEXAGRAM 22 – Pi - Grace

*This hexagram shows a fire that breaks out of the secret depths of the earth and, blazing up, illuminates and beautifies the mountain, the heavenly heights. Grace - beauty of form - is necessary in any union if it is to be well ordered and pleasing rather than disordered and chaotic.*

#### THE JUDGMENT

*GRACE has success.*

*In small matters*

*It is favorable to undertake something.*

*Grace brings success. However, it is not the essential or fundamental thing; it is only the ornament and must therefore be used sparingly and only in little things. In the lower trigram of fire a yielding line comes between two strong lines and makes them beautiful, but the strong lines are the essential content and the weak line is the beautifying form. In the upper trigram of the mountain, the strong line takes the lead, so that here again the strong element must be regarded as the decisive factor. In nature we see in the sky the strong light of the sun; the life of the world depends on it. But this strong, essential thing is changed and given pleasing variety by the moon and the stars. In human affairs, aesthetic form comes into being when traditions exist that, strong and abiding like mountains, are made pleasing by a lucid beauty. By contemplating the forms existing in the heavens we come to understand time and its changing demands. Through contemplation of the forms existing in human society it becomes possible to shape the world. 1*

#### THE IMAGE

*Fire at the foot of the mountain: The image of GRACE.*

*Thus does the superior man proceed*

*When clearing up current affairs.*

*But he dare not decide controversial issues in this way.*

*The fire, whose light illuminates the mountain and makes it pleasing, does not shine far; in the same way, beautiful form suffices to brighten and to throw light upon matters of lesser moment, but important questions cannot be decided in this way. They require greater earnestness.*

1. *This hexagram shows tranquil beauty-clarity within, quiet without. This is the tranquility of pure contemplation. When desire is silenced and the will comes to rest, the world-as-idea becomes manifest. In this aspect the world is beautiful and removed from the struggle for existence. This is the world of art. However, contemplation alone will not put the will to rest absolutely. It will awaken again, and then all the beauty of form will appear to have been only a*

*brief moment of exaltation. Hence this is still not the true way of redemption. For this reason Confucius felt very uncomfortable when once, on consulting the Oracle, he obtained the hexagram of GRACE.*

## **Fastenal Co. FAST under CEO Willard D. Oberton**

Willard Oberton's Performance:	ROI= 239.87%	Annualized Return= 15.08%
SPY performance	ROI= 29.95%	Annualized Return= 3.05%

Willard Oberton became CEO of Fastenal in December of 2002. Since then, he has been able to substantially outperform the SPY.

However, because he has been CEO for a decade, we asked the oracle once more about his future performance: it is the Clinging with no moving lines which is fairly positive.

*Perseverance furthers.  
It brings success.  
Care of the cow brings good fortune.*

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focus point.

*THE JUDGMENT*

*THE CLINGING.*

*Perseverance furthers.  
It brings success.  
Care of the cow brings good fortune.*

*What is dark clings to what is light and so enhances the brightness of the latter. A luminous thing giving out light must have within itself something that perseveres; otherwise it will in time burn itself out. Everything that gives light is dependent on something to which it clings, in order that it may continue to shine.*

*Thus sun and moon cling to heaven, and grain, grass, and trees cling to the earth. So too the twofold clarity of the dedicated man clings to what is right and thereby can shape the world. Human life on earth is conditioned and unfree, and, when man recognizes this limitation and makes himself dependent upon the harmonious and beneficent forces of the cosmos, he achieves success. The cow is the symbol of extreme docility. By cultivating in himself an attitude of compliance and voluntary dependence, man acquires clarity without sharpness and finds his place in the world.*

## **Check Point Software Technologies Ltd. CHKP under CEO Gil Shwed**

Gil Shwed's Performance:	ROI= 1,321.75%	Annualized Return= 19.06%
SPY performance	ROI= 165.40%	Annualized Return= 6.62%

Gil Shwed (one of the founders) became CEO of Check Point Software in January 1993. Since then, because of his legendary brilliance, he has been able to outperform the SPY by such a margin as to prove he is a Superior CEO.

His previous Time-Space was: Possession in Great Measure.

However, because he has been CEO for so many years we asked the Oracle once more about his future Time-Space: it is the Clinging.

While his superior past performance is related to his Possession in Great Measure, his future Time-Space points to the Clinging with its first line. It is not negative but it is not as good as the previous one.

- **(2011 – FUTURE)**

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

## **2) THE ADVICE**

(Same as Above).

## **3) THE LINES:**

*Nine at the beginning means:*

*The footprints run crisscross.*

*If one is seriously intent, no blame.*

*It is early morning and work begins. The mind has been closed to the outside world in sleep; now its connections with the world begin again. The traces of one's impressions run crisscross. Activity and haste prevail. It is important then to preserve inner composure and not to allow oneself to be swept along by the bustle of life. If one is serious and composed, he can acquire the clarity of mind needed for coming to terms with the innumerable impressions that pour in. It is precisely at the beginning that serious concentration is important, because the beginning holds the seed of all that is to follow.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 56 - Lu - The Wanderer*

*The mountain, Ken, stands still; above it fire, Li, flames up and does not tarry. Therefore the two trigrams do not stay together. Strange lands and separation are the wanderer's lot.*

*THE JUDGMENT*

*THE WANDERER.*

*Success through smallness.*

*Perseverance brings good fortune*

*To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

*THE IMAGE*

*Fire on the mountain: The image of THE WANDERER.*

*Thus the superior man*

*Is clear-minded and cautious*

*In imposing penalties,*

*And protracts no lawsuits.*

*When grass on a mountain takes fire, there is bright light. However, the fire does not linger in one place, but travels on to new fuel. It is a phenomenon of short duration. This is what penalties and lawsuits should be like. They should be a quickly passing matter, and must not be dragged out indefinitely. Prisons ought to be places where people are lodged only temporarily, as guests are. They must not become dwelling places.*

- **(1990s and 2000s)**

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 14 - Ta Yu - Possession in Great Measure*

*The fire in heaven above shines far, and all things stand out in the light and become, manifest. The weak fifth line occupies the place of honor, and all the strong lines are in accord with it.*

*All things come to the man who is modest and kind in a high position.*

*THE JUDGMENT*

*POSSESSION IN GREAT MEASURE.*

*Supreme success.*

*The two trigrams indicate that strength and clarity unite. Possession in great measure is determined by fate and accords with the time. How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty. The time is favorable - a time of strength within, clarity and culture without. Power is expressing itself in a graceful and controlled way. This brings supreme success and wealth. 2*

### **2) THE ADVICE**

*Fire in heaven above: The image of POSSESSION IN GREAT MEASURE .*

*Thus the superior man curbs evil and furthers good,  
And thereby obeys the benevolent will of heaven.*

*The sun in heaven above, shedding light over everything on earth, is the image of possession on a grand scale. But a possession of this sort must be administered properly. The sun brings both evil and good into the light of day. Man must combat and curb the evil, and must favor and promote the good. Only in this way does he fulfill the benevolent will of God, who desires only good and not evil.*



### **3) THE LINES:**

*Nine in the fourth place means:*

*He makes a difference  
Between himself and his neighbor.  
No blame.*

*This characterizes the position of a man placed among rich and powerful neighbors. It is a dangerous position. He must look neither to the right nor to the left, and must shun envy and the temptation to vie with others. In this way he remains free of mistakes. 4*

*4. Another generally accepted translation of the line is as follows: He does not rely on his abundance. No blame. This would mean that the individual avoids mistakes because he possesses as if he possessed nothing.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 26 - Ta Ch'u - The Taming Power of the Great*

*The Creative is tamed by Ken, Keeping Still. This produces great power, a situation in contrast to that of the ninth hexagram, Hsiao Ch'u, THE TAMING POWER OF THE SMALL, in which the Creative is tamed by the Gentle alone. There one weak line must tame five strong lines, but here four strong lines are restrained by two weak lines; in addition to a minister, there is a prince, and the restraining power therefore is far stronger.*

*The hexagram has a threefold meaning, expressing different aspects of the concept Holding firm. Heaven within the mountain gives the idea of holding firm in the sense of holding together; the trigram Ken, which holds the trigram Ch'ien still, gives the idea of holding firm in the sense of holding back; the third idea is that of holding firm in the sense of caring for and nourishing. This last is suggested by the fact that a strong line at the top, which is the ruler of the hexagram, is honored and tended as a sage. The third of these meanings also attaches specifically to this strong line at the top, which represents the sage.*

*THE JUDGMENT*

*THE TAMING POWER OF THE GREAT.*

*Perseverance furthers.  
Not eating at home brings good fortune.  
It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by*

*entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.*

### *THE IMAGE*

*Heaven within the mountain:*

*The image of THE TAMING POWER OF THE GREAT.*

*Thus the superior man acquaints himself with many sayings of antiquity  
And many deeds of the past, In order to strengthen his character thereby.*

*Heaven within the mountain points to hidden treasures. In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters. The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past.*

## **31 INFLUENCE (WOOING)**

### **MANAGERIAL ISSUE:**

The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion)

The Influence Time-Space is about how the Superior CEO must:

- Behave to properly influence, inspire or lead the corporation at times of conflict, and
- Conduct the proper relationships with his employees/customers.

During the INFLUENCE Time-Space, the Superior CEO must be subtle, quiet, constant, considerate, and above all, humble. That is, the Superior CEO must behave towards his employees/customers in a similar fashion as a man who wants to court his future wife. In effect, Hexagram 31 represents sexuality between the YIN and YANG, and the I Ching is very clear in its advice about courting.

The I Ching says: *“in courtship, the masculine principle must seize the initiative and place itself below the feminine principle...The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. This hexagram is quite important for the I Ching, because “courtship and marriage, (are) the foundations of all social relationships.”*

The Superior CEO must draw a comparison between the proper behavior for a successful courting and the proper behavior for a successful CEO-employees/customers relations. The employees/customers represent the YIN, while the Superior CEO represents the YANG. To court the employees/customers, the Superior CEO must not only be gentle, but he must be tenacious. Indeed, the weak heart never won the fair lady. He must also be considerate to the employees/customers just as to be considerate to a lady is a sure way to win her heart.

### **MANAGERIAL LESSON:**

In terms of policies, during the INFLUENCE Time-Space, the Superior CEO must implement three policies above all things:

1. To have an open door policy. The Superior CEO properly influences the behavior of his employees/customers by being readily available to anyone who seeks his advice and support.
2. To be humble. This is the most important piece of advice the I Ching provides the CEO with, and it appears again and again. To be able to influence the employees/customers, the Superior CEO must be open-minded so as to be able to listen to others and to hire the most capable advisors as his assistants. On the other hand, if the CEO is not

humble, and if he tries to always tell the others what to do without listening first, he will never receive the advice of anyone. No one is more deaf than a CEO who will not hear.

- The I Ching says: *“the mind should be kept humble and free, so that it may remain receptive to good advice. People soon give up counseling a man who thinks that he knows everything better than anyone else”*. Such a wonderful piece of advice.

Indeed, the I Ching uses two symbols to create a contrast between humility and arrogance: for humility it uses the symbol of a sunken cavity needed to be filled up and for arrogance it uses the symbol of the peak trying to show off to the world. By the Law of Seasonality, that which is empty will be filled and that which is full will be emptied.

3. To maintain the right attitude. The Superior CEO makes sure the right attitude is applicable to both: to himself, as the leader of the corporation, and to the employees. In this way, he and the employees, can focus on what really matters. Attitude is so important, the Superior CEO must fire without any hesitation any employee who has the wrong attitude. The CEO wants winners not whiners. The Superior CEO knows which one is which by the way each employee meets his challenges.

With the right attitude the Superior CEO INFLUENCES (Woos):

- The employees:
  - To want to meet their goals,
  - To easily go through any period of hardship to reach their goals
- The customers
  - To make them desire to want to buy its products.
  - To easily forgive mistakes on the part of the corporation.

## **INVESTMENT ADVICE:**

For the investor, the INFLUENCE is a favorable Time-Space to invest.

By itself (no lines) it represents success provided there is mutual attraction.

*Influence.*

*Success.*

*Perseverance furthers.*

*To take a maiden to wife brings good fortune.*

*The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. By keeping still within while experiencing joy without, one can prevent the joy from going to excess and hold it within proper bounds. This is the meaning of the added admonition, "Perseverance furthers," for it is perseverance that makes the difference between seduction and courtship; in the latter the strong man takes a position inferior to that of the weak girl and shows consideration for her. This attraction between affinities is a general law of nature. Heaven and earth attract each other and thus all creatures come into being. Through such attraction the*

*sage influences men's hearts, and thus the world attains peace. From the attractions they exert we can learn the nature of all beings in heaven and on earth.*

It has only one Good Fortune investment possibility in the 4<sup>th</sup> line.

The following cases are those of corporations under the Influence Time-Space:

- **DuPont (DD) under CEO Ellen Kullman**
- **3M Co. MMM under CEO George W. Buckley**

(Read at end of the Hexagram).

## **THE LINES**

About the lines, the I Ching makes a wonderful analogy. The I Ching compares the corporation to a human body, and breaks it down into the toes, the calves of the legs, the thighs, the heart, the back of the neck, and finally the mouth - jaws, cheeks and tongue. The I Ching then relates the CEO's success with his capacity to transmit his own personal attitude and character onto the corporation (employees, customers, etc.). Only by the CEO's ability to transmit the right attitude properly will he be able to influence the above-mentioned parts of the corporate body.

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) - failing in the beginning.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the first stage of the Influence Time-Space, the CEO's INFLUENCE has no visible effects. He has the right attitude but manages to only partially generate INFLUENCE (e.g. to inspire the employees, customers etc.). That is, his attitude only inspires the "toes" of the corporate body, which are not sufficient to move it in the right direction. His error lies in that his attitude is not strong enough yet to influence the entire corporation as well as the general public. His attitude stays only within the small circle of his top executives but does not reach the rest of the corporate body.

**Managerial Advice:** The Superior CEO is determined. When he moves, his attitude is strong enough to influence everyone (employees/customers). Otherwise, he will not move at all.

**Investment advice:** Do not invest.

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) failing by creating the wrong attitude.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the second stage of the Influence Time-Space, the CEO's INFLUENCE creates a corporate attitude when no corporate attitude is really needed, thus in effect creating the wrong attitude. This wrong attitude, in turn (and as expected), fails to inspire the employees/customers and only inspires the “calves of the legs” of the corporate body, which by themselves cannot move the rest of the body.

**Managerial Advice:** The Superior CEO generates a real INFLUENCE only when he is affected by a real INFLUENCE himself. He recognizes this is one of those cases in which it is best to wait and do nothing at all. He knows he must not jump the gun in creating a new attitude for the corporation because the corporation most probably already had the right attitude and only needed more time to show the proper results.

**Investment advice:** Do not invest.

## **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) - failing by acting whimsically.

**Managerial Lesson:** Be deliberate.

**Managerial Warning:** At the third stage of the Influence Time-Space, the CEO creates the corporate attitude out of a whim and without much thought. This INFLUENCE, in turn, manages to move only the corporate “thighs”. It obviously cannot have a long positive effect on the corporation.

**Managerial Advice:** The Superior CEO, to avoid acting on the “*spur of every caprice*”, must follow three basic rules:

*The I Ching says (\*):*

- *First, a man (CEO) should not run precipitately after all the persons (employees/customers) whom he would like to influence, but must be able to hold back under certain circumstances.*
- *As little should he (CEO) yield immediately to every whim of those in whose service he stands (employees/customers/shareholders).*
- *Finally, where the moods of his own heart are concerned, he (CEO) should never ignore the possibility of inhibition (restraint), for this is the basis of human freedom. “*

The Superior CEO understands the basis of human freedom lies in never ignoring the possibility of inhibition. He knows freedom demands he be watchful. To be free in the inside, as well as in

the outside, the Superior CEO must: not to let the wrong attitude control his mind and not to let the wrong attitude control his body.

This is one of the I Ching's most wonderful lessons and all CEOs should keep it close to their hearts if they want to be successful.

**Investment advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) – wisely reaching their hearts.

The I Ching says (\*): *“Here the place of the heart (the corporate heart) is reached. The impulse (the CEO's) that springs from this source is the most important of all. It is of particular concern that this influence (the CEO's) be constant and good; then, in spite of the danger arising from the great susceptibility of the human heart, there will be no cause for remorse.”*

**Managerial Lesson:** Be inspirational.

**Managerial Warning:** At the fourth stage of the Influence Time-Space, the CEO develops the proper corporate attitude, and as such INFLUENCES the “Heart” of the corporate body. Even though doubts might assail him, if the CEO has the inner strength to endure, all doubts will eventually dissipate. His attitude will influence the corporation in a very profitable way, because it is the corporate “heart” which will move the CEO's inner circle as well as the entire corporate body.

**Managerial Advice:** The Superior CEO has character and, therefore, his intentions are always good. It is almost as if the I Ching is talking about Lincoln.

The I Ching says: *“When the quiet power of a man's (CEO's) own character is at work, the effects produced are right. All those who are receptive to the vibrations of such a spirit -, will then be influenced. Influence over others should not express itself as a conscious and willed effort to manipulate them. Through practicing such conscious incitement, one becomes wrought up and is exhausted by the eternal stress and strain. Moreover, the effects produced are then limited to those on whom one's thoughts are consciously fixed.”*

SUCH WONDERFUL ADVICE!!!! . This is also a good lesson on how to influence your children: be a good father. Just be good, don't say you are good. Be good, be decent, be honest, and be kind. Your children will learn from what you do, not from what you say.

**Investment advice:** Invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) – failing due to lack of flexibility.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the fifth stage of the Influence Time-Space, the CEO Influences “*the back of the neck*” where “*the will remains firm and the influence does not lead to confusion*”. There is a danger the CEO might lack the necessary flexibility to generate the necessary influence such as the influence on the Heart. This is because he can neither listen nor change once he has embarked the corporation upon the wrong course.

**Managerial Advice:** The Superior CEO knows that to conquer others he must first conquer himself, and that to Influence others he must be Influenced himself.

**Investment advice:** Do not invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to influence (e.g. employees, customers, shareholders, investors, public opinion) – failing due to lack of flexibility – failing by empty talk with no vision, no character and only B.S.

**Managerial Lesson:** Be substantial.

**Managerial Warning:** At the sixth stage of the Influence Time-Space, the CEO uses superficial methods to generate INFLUENCE and thus “*the Influence shows itself in the jaws, cheeks, and tongue*”. Such insignificant way of trying to influence the employees/customers has insignificant results.

**Managerial Advice:** The Superior CEO knows that to really generate any INFLUENCE and make a difference with the employees or customers, he must have something of real value to add to the corporation.

**Investment advice:** Do not invest.

## **MANAGERIAL CASES**

### **DuPont (DD) under CEO Ellen Kullman**

Ellen Kullman’s Performance:	ROI= 62.53%	Annualized Return= 22.00%
SPY performance	ROI= 22.81%	Annualized Return= 8.14%

Ellen Kullman became CEO of DuPont on 1/1/2009. Since then, she has been able to outperform the SPY. This performance is related to the beginning of her Time-Space; however,



she unfortunately drew a negative line in the 3<sup>rd</sup> place. The line in the 6<sup>th</sup> place is neither positive nor negative. What is of concern is the Moving Hexagram Standstill (Stagnation).

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 31 – Hsien - Influence ( Wooing)*

*The name of the hexagram means "universal," "general," and in a figurative sense "to influence," "to stimulate." The upper trigrams is Tui, the Joyous; the lower is Ken, Keeping Still. By its persistent, quiet influence, the lower, rigid trigram stimulates the upper, weak trigram, which responds to this stimulation cheerfully and joyously. Ken, the lower trigram, is the youngest son; the upper, Tui, is the youngest daughter. Thus the universal mutual attraction between the sexes is represented. In courtship, the masculine principle must seize the initiative and place itself below the feminine principle.*

*Just as the first part of book I begins with the hexagrams of heaven and earth, the foundations of all that exists, the second part begins with the hexagrams of courtship and marriage, the foundations of all social relationships.*

#### **THE JUDGMENT**

*Influence.*

*Success.*

*Perseverance furthers.*

*To take a maiden to wife brings good fortune.*

*The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. By keeping still within while experiencing joy without, one can prevent the joy from going to excess and hold it within proper bounds. This is the meaning of the added admonition, "Perseverance furthers," for it is perseverance that makes the difference between seduction and courtship; in the latter the strong man takes a position inferior to that of the weak girl and shows consideration for her. This attraction between affinities is a general law of nature. Heaven and earth attract each other and thus all creatures come into being. Through such attraction the sage influences men's hearts, and thus the world attains peace. From the attractions they exert we can learn the nature of all beings in heaven and on earth.*

### **2) THE ADVICE**

*A lake on the mountain: The image of influence.*

*Thus the superior man encourages people to approach him*

*By his readiness to receive them.*

*A mountain with a lake on its summit is stimulated by the moisture from the lake. It has this advantage because its summit does not jut out as a peak but is sunken. The image counsels that the mind should be kept humble and free, so that it may remain receptive to good advice. People soon give up counseling a man who thinks that he knows everything better than anyone else.*

### **3) THE LINES:**

*Nine in the third place means:*

*The influence shows itself in the thighs.*

*Holds to that which follows it.*

*To continue is humiliating.*

*Every mood of the heart influences us to movement. What the heart desires, the thighs run after without a moment's hesitation; they hold to the heart, which they follow. In the life of man, however, acting on the spur of every caprice is wrong and if continued leads to humiliation. Three considerations suggest themselves here. First, a man should not run precipitately after all the persons whom he would like to influence, but must be able to hold back under certain circumstances. As little should he yield immediately to every whim of those in whose service he stands. Finally, where the moods of his own heart are concerned, he should never ignore the possibility of inhibition, for this is the basis of human freedom.*

*Six at the top means:*

*The influence shows itself in the jaws, cheeks, and tongue.*

*The most superficial way of trying to influence others is through talk that has nothing real behind it. The influence produced by such mere tongue wagging must necessarily remain insignificant. Hence no indication is added regarding good or bad fortune.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 12 - P'i - Standstill (Stagnation)*

*This hexagram is the opposite of the preceding one. Heaven is above, drawing farther and farther away, while the earth below sinks farther into the depths. The creative powers are not in relation. It is a time of standstill and decline. This hexagram is linked with the seventh month (August-September), when the year has passed its zenith and autumnal decay is setting in.*

*THE JUDGMENT*

*STANDSTILL.*

*Evil people do not further*

*The perseverance of the superior man.*

*The great departs the small approaches.*

*Heaven and earth are out of communion and all things are benumbed. What is above has no relation to what is below, and on earth confusion and disorder prevail. The dark power within,*

*the light power is without. Weakness is within, harshness without. Within are the inferior, and without are the superior. The way of inferior people is in ascent; the way of superior people is on the decline. But the superior people do not allow themselves to be turned from their principles. If the possibility of exerting influence is closed to them, they nevertheless remain faithful to their principles and withdraw into seclusion.*

## **THE IMAGE**

*Heaven and earth do not unite: The image Of STANDSTILL.  
Thus the superior man falls back upon his inner worth In order to escape the difficulties.  
He does not permit himself to be honored with revenue.*

*When, owing to the influence of inferior men, mutual mistrust prevails in public life, fruitful activity is rendered impossible, because the fundamentals are wrong. Therefore the superior man knows what he must do under such circumstances; he does not allow himself to be tempted by dazzling offers to take part in public activities. This would only expose him to danger, since he cannot assent to the meanness of the others. He therefore hides his worth and withdraws into seclusion.*

## **3M Co. MMM under CEO George W. Buckley**

George Buckley's Performance:	ROI= (0.99%)	Annualized Return= (0.17%)
SPY performance	ROI= (9.78%)	Annualized Return= (1.79%)

George Buckley became CEO of 3M on 12/1/2005. Since then, he has not been able to outperform the SPY. His flat returns practically represent a 7 year period of no positive returns for the investors. Unfortunately, he drew one negative line in the 3<sup>rd</sup> place. The lines in the 1<sup>st</sup> and the 6<sup>th</sup> place are neither positive nor negative.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*The influence shows itself in the big toe.*

*A movement, before it is actually carried out, shows itself first in the toes. The idea of an influence is already present, but it is not immediately apparent to others. As long as the intention has no visible effect, it is of no importance to the outside world and leads neither to good nor to evil.*

Nine in the third place means:

*The influence shows itself in the thighs.*

*Holds to that which follows it.*

*To continue is humiliating.*

*Every mood of the heart influences us to movement. What the heart desires, the thighs run after without a moment's hesitation; they hold to the heart, which they follow. In the life of man, however, acting on the spur of every caprice is wrong and if continued leads to humiliation. Three considerations suggest themselves here. First, a man should not run precipitately after all the persons whom he would like to influence, but must be able to hold back under certain circumstances. As little should he yield immediately to every whim of those in whose service he stands. Finally, where the moods of his own heart are concerned, he should never ignore the possibility of inhibition, for this is the basis of human freedom.*

Six at the top means:

*The influence shows itself in the jaws, cheeks, and tongue.*

*The most superficial way of trying to influence others is through talk that has nothing real behind it. The influence produced by such mere tongue wagging must necessarily remain insignificant. Hence no indication is added regarding good or bad fortune.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 25 - Wu Wang - Innocence (The Unexpected)*

*Ch'ien, heaven, is above; Chen, movement, is below. The lower trigram Chen is under the influence of the strong line it has received from above, from heaven. When, in accord with this, movement follows the law of heaven, man is innocent and without guile. His mind is natural and true, unshadowed by reflection or ulterior designs. For wherever conscious purpose is to be seen, there the truth and innocence of nature have been lost. Nature that is not directed by the spirit is not true but degenerate nature. Starting out with the idea of the natural, the train of thought in part goes somewhat further and thus the hexagram includes also the idea of the unintentional or unexpected.*

*THE JUDGMENT*

*INNOCENCE. Supreme success.*

*Perseverance furthers.  
If someone is not as he should be,  
He has misfortune,  
And it does not further him  
To undertake anything.*

*Man has received from heaven a nature innately good, to guide him in all his movements. By devotion to this divine spirit within himself, he attains an unsullied innocence that leads him to do right with instinctive sureness and without any ulterior thought of reward and personal advantage. This instinctive certainty brings about supreme success and "furthers through perseverance." However, not everything instinctive is nature in this higher sense of the word, but only that which is right and in accord with the will of heaven. Without this quality of rightness, an unreflecting, instinctive way of acting brings only misfortune.*

*Confucius says about this:*

*"He who departs from innocence, what does he come to? Heaven's will and blessing do not go with his deeds."*

#### *THE IMAGE*

*Under heaven thunder rolls: All things attain the natural state of innocence.  
Thus the kings of old, rich in virtue, and in harmony with the time,  
Fostered and nourished all beings.*

*In springtime when thunder, life energy, begins to move again under the heavens, everything sprouts and grows, and all beings receive from the creative activity of nature the childlike innocence of their original state. So it is with the good rulers of mankind: drawing on the spiritual wealth at their command, they take care of all forms of life and all forms of culture and do everything to further them, and at the proper time.*

## **32 DURATION**

### **MANAGERIAL ISSUE:**

The CEO – managing relationships (with employees, customers, shareholders) to endure.

The Duration Time Space (Hexagram 32) is the inverse of the previous one and helps the CEO understand that one thing is to Influence, Woo or court the employees, customers or shareholders but another is to make the relationship last, such as in a marriage. While in the previous Hexagram (31) the CEO manages to Influence, Woo or courts the employees, customers, or shareholders, Hexagram 32 is about managing the lasting (Duration) relationship and how each part should behave once the courtship has ended and the union has been established. First comes the sell (Wooing) but then comes the servicing (Duration).

The I Ching:

- 1) Compares this Duration (a lasting union) with marriage, which is the symbol of this Hexagram, or the essence of duration. While in courting it is the man (CEO) who should take a subordinate position, in marriage it is the wife who should take a subordinate position. The CEO, as the husband, should lead while the employees, as the wife, should follow. As long as there is harmony or unity between the CEO and the employees, the relationship will last and the corporation will endure. That is, there will be Duration. Thus maintaining the unity is the main ingredient to make marriage or the client relation last or endure (Duration).
- 2) Describes the essence of what makes a union last as motion rather than stillness. This union will exist provided three elements are present: order, unity and the never ending cycles. These cycles start with an outward motion and end with an inward motion. This is amazingly similar to the breathing cycle of the Buddha in which the Universe expands when the Buddha exhales and then contracts when the Buddha inhales. In the case of the Buddha or the Universe, this period lasts billions of years. In the case of the CEO's mandate or the corporation it may last just a few years but they are still part of an expanding and contracting cycle.

### **MANAGERIAL LESSON:**

During the Duration Time-Space, the Superior CEO:

- 1) Meditates on the meaning of the law (and compliance) and the principles and realizes:
  - The law (principles) is his best friends.
  - The law (principles) is what really matters.
  - The law (principles) is everlasting.
  - The law (principles) will not change even though the circumstances might change,

- To know the law, to meditate over the law, to execute the law should not be seen as being inflexible.
  - To reward good and to punish evil is a basic law and the Superior CEO is inflexible in its implementation; yet to create a wide variety of both rewards and punishments is a true mark of flexibility.
- 2) Combines the eternal or that which never changes with the temporary or that which always change. In the case of Google for instance, the technology might be changing all the time, but the principle to make its employees produce the best software and continue to improve it all the time is very much dependent on the incentives Google provides its employees. The principle of rewarding merit and effort as the way to improve performance is as eternal as the universe itself and it is evident in the law of the survival of the fittest; however, the idea of compensating merit with specifics, such as stock option plans, is relatively new and subject to change. The I Ching's recommendation to the CEO to combine the eternal principles (laws) with the temporary is a wonderful piece of advice.
- 3) Is balanced. The Superior CEO unites (to create Duration) the same long lasting qualities within with the ones he wants to project without - that is, he has unity of body and spirit. He recognizes he must be one within (himself) if he wants to be one without (the corporation). A house divided cannot stand. A CEO who is not in harmony with his own self because he lacks emotional intelligence is bound to hesitate and make mistakes. But the greatest law the CEO must obey is to be true to his own self, to conquer himself. If he cannot conquer his own self (his fears, doubts, weaknesses), how can he conquer or lead others? Only if the CEO conquers himself will he be firm in his purpose. What kind of direction will he give his corporation if he changes his mind all the time?

## **INVESTMENT ADVICE:**

For the investor, the DURATION is a favorable Time-Space to invest.

By itself (no lines) it points to success because the CEO has a good opportunity to create Duration.

*DURATION. Success. No blame.*

*Perseverance furthers.*

*It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

Unfortunately, if there are any lines present, the investment becomes a poor alternative because in none of the lines the CEO is able to create Duration.

The following cases are those of corporations under the Duration Time-Space:

- **Maxim Integrated Products Inc. MXIM under CEO Tunc Doluca**

(Read at end of the Hexagram).

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by rushing to create it.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Duration Time-Space, the CEO pushes too hard to bring about too many changes in the corporation.

**Managerial Advice:** The Superior CEO's greatest virtues are his patience and moderation. There are no shortcuts to success. He knows that: *“Whatever endures can be created only gradually by long continued work and careful reflection.”*

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by overstretching his resources.



**Managerial Lesson:** Be self-controlled.

**Managerial Warning:** At the second stage of the Duration Time-Space, the CEO's faces "*an abnormal situation where his force of character is greater than the available material power which holds him back when attempting something beyond his strength*". That is, his drive might be too strong for the corporation's employees. Or at least that is how the CEO might perceive the situation.

**Managerial Advice:** The Superior CEO is fearless in the execution of his plans. In this particular case and in this particular moment, fate has ordained that it is proper to push for his plans. To be resolute is a must when the CEO has the Mandate of Heaven.

**Investment Advice:** Do not invest. It might be possible to invest, but it is best to look for better alternatives.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by losing his inner sense of balance.

**Managerial Advice:** Be consistent.

**Managerial Warning:** At the third stage of the Duration Time-Space, the CEO allows the external conditions (turmoil of the economy or the industry) to affect him.

**Managerial Advice:** The Superior CEO has the inner strength and harmony to cope with the outer turmoil. This inner strength enables him to successfully lead his corporation. The Superior CEO knows that to conquer others he must conquer himself first. Here the I Ching leaves open the possibility that there might be an inherent weakness in the CEO.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by uniting with the wrong market, product, employees or partners.

**Managerial Lesson:** Be thorough.

**Managerial Warning:** At the fourth stage of the Duration Time-Space, the CEO is barking up the wrong tree. He is looking for a corporation to take over or an industry to get into or even a product to launch. Yet he is at the wrong place at the wrong time.

**Managerial Advice:** The Superior CEO knows that to go after something for the sake of it is not enough. There has to be unity or compatibility between the nature of the corporation and the nature of what they are trying to buy or produce. Unfortunately, most CEOs tend to make this

mistake. There have been so many cases of CEOs buying out the wrong corporations knowing full well there was neither harmony nor a sense of unity between them.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by pleasing rather than doing his duty.

**Managerial Lesson:** Be dutiful.

**Managerial Warning:** At the fifth stage of the Duration Time-Space, the CEO fails to do his duty because he is more interested in pleasing (employees, customers) rather than in doing his job.

**Managerial Advice:** The Superior CEO, as the husband, leads based on principles and a sense of duty, while the employees, as the wife, follow. His main job is to do his duty, to keep the corporation safe, to create Duration (make it endure or last) - if necessary the Superior CEO will fire thousands of employees or even lower their salaries. His duty is not to please the employees or the public opinion. When the CEO only aims to please the employees, the employees will do well but the CEO and the corporation will lose. Sometimes this is also the case of a corporate buy-out where the corporation taken over will do well but the corporation taking it over will do poorly.

**Investment Advice:** Do not invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing relationships (with employees, customers, shareholders) to endure – failing to create Duration by jumping from market to market, from product to product, and from employees to employees.

**Managerial Lesson:** Be calm.

**Managerial Warning:** At the sixth stage of the Duration Time-Space, the CEO *“lives in a state of perpetual hurry without ever attaining inner composure.”* Under such conditions, he cannot create anything that might endure in time.

**Managerial Advice:** The Superior CEO is thorough in his analysis and patient in waiting for the end results. This thoroughness and patience enables him to successfully take over companies with lasting (duration) effects. He knows patience and an eye for detail are some of the key traits of a successful CEO. To lose his focus is to lose his job.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Maxim Integrated Products Inc. MXIM under CEO Tunc Doluca**

Tunc Doluca's Performance:	ROI= (25.20%)	Annualized Return= (6.17%)
SPY's Performance:	ROI= ( 4.77%)	Annualized Return= (1.07%)

Tunc Doluca has been CEO since January 2007. His performance has been very poor compared with the SPY's which underlines the fact he does not possess the qualities which the I Ching would require from someone whose mandate is to manage the Union Time-Space. A restless CEO can neither bring Union nor deal successfully with the Nuclear Time-Space of the Splitting Apart.

His original Hexagram was the Union which requires we ask the Oracle once again if he has the necessary qualities to bring about this Union. The Oracle answer was the Duration.

We will review both.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 08 – Pi - Holding Together [Union]*

*The waters on the surface of the earth flow together wherever they can, as for example in the ocean, where all the rivers come together. Symbolically this connotes holding together and the laws that regulate it. The same idea is suggested by the fact that all the lines of the hexagram except the fifth, the place of the ruler, are yielding. The yielding lines hold together because they are influenced by a man of strong will in the leading position, a man who is their center of union. Moreover, this strong and guiding personality in turn holds together with the others, finding in them the complement of his own nature.*

#### *THE JUDGMENT*

*HOLDING TOGETHER brings good fortune.  
Inquire of the Oracle once again  
Whether you possess sublimity, constancy, and perseverance;  
Then there is no blame.  
Those who are uncertain gradually join.  
Whoever comes too late*

*Meets with misfortune.*

*What is required is that we unite with others, in order that all may complement and aid one another through holding together. But such holding together calls for a central figure around whom other persons may unite. To become a center of influence holding people together is a grave matter and fraught with great responsibility. It requires greatness of spirit, consistency, and strength. Therefore let him who wishes to gather others about him ask himself whether he is equal to the undertaking, for anyone attempting the task without a real calling for it only makes confusion worse than if no union at all had taken place.*

*But when there is a real rallying point, those who at first are hesitant or uncertain gradually come in of their own accord. Late-comers must suffer the consequences, for in holding together the question of the right time is also important. Relationships are formed and firmly established according to definite inner laws. Common experiences strengthen these ties, and he who comes too late to share in these basic experiences must suffer for it if, as a straggler, he finds the door locked.*

*If a man has recognized the necessity for union and does not feel strong enough to function as the center, it is his duty to become a member of some other organic fellowship.*

## **2) THE ADVICE**

*On the earth is water: The image Of HOLDING TOGETHER.  
Thus the kings of antiquity  
Bestowed the different states as fiefs  
And cultivated friendly relations  
With the feudal lords.*

*Water fills up all the empty places on the earth and clings fast to it. The social organization of ancient China was based on this principle of the holding together of dependents and rulers. Water flows to unite with water, because all parts of it are subject to the same laws. So too should human society hold together through a community of interests that allows each individual to feel himself a member of a whole. The central power of a social organization must see to it that every member finds that his true interest lies in holding together with it, as was the case in the paternal relationship between king and vassals in ancient China.*

## **3) THE LINES:**

There are no moving lines.

## **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focusing point.

However, we will underline the fact his Nuclear hexagram is Splitting Apart, a very negative Time-Space.

## NUCLEAR HEXAGRAM

### HEXAGRAM 23 – Po - Splitting Apart

*The dark lines are about to mount upward and overthrow the last firm, light line by exerting a disintegrating influence on it. The inferior, dark forces overcome what is superior and strong, not by direct means, but by undermining it gradually and imperceptibly, so that it finally collapses.*

*The lines of the hexagram present the image of a house, the top line being tile roof, and because the roof is being shattered the house collapses. The hexagram belongs to the ninth month (October-November). The yin power pushes up ever more powerfully and is about to supplant the yang power altogether.*

### THE JUDGMENT

#### SPLITTING APART.

*It does not further one  
To go anywhere.*

*This pictures a time when inferior people are pushing forward and are about to crowd out the few remaining strong and superior men. Under these circumstances, which are due to the time, it is not favorable for the superior man to undertake anything.*

*The right behavior in such adverse times is to be deduced from the images and their attributes. The lower trigram stands for the earth, whose attributes are docility and devotion. The upper trigram stands for the mountain, whose attribute is stillness. This suggests that one should submit to the bad time and remain quiet. For it is a question not of man's doing but of time conditions, which, according to the laws of heaven, show an alternation of increase and decrease, fullness and emptiness. It is impossible to counteract these conditions of the time. Hence it is not cowardice but wisdom to submit and avoid action.*

### THE IMAGE

*The mountain rests on the earth: The image of SPLITTING APART.  
Thus those above can ensure their position  
Only by giving generously to those below.*

*The mountain rests on the earth. When it is steep and narrow, lacking a broad base, it must topple over. Its position is strong only when it rises out of the earth broad and great, not proud and steep. So likewise those who rule rest on the broad foundation of the people. They too should be generous and benevolent, like the earth that carries all. Then they will make their position as secure as a mountain is in its tranquility.*

Tunc Doluca's Union Time-Space required that we ***inquire of the Oracle once again whether you possess sublimity, constancy, and perseverance;***

When we inquire the Oracle once again, the result is Duration and two negative lines which point to his poor performance in time.

## **Maxim Integrated Products Inc. MXIM CEO Tunc Doluca - does he possess sublimity, constancy and perseverance?**

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 32 – Heng - Duration*

*The strong trigram Chen is above, the weak trigram Sun below. This hexagram is the inverse of the preceding one. In the latter we have influence, here we have union as an enduring condition. The two images are thunder and wind, which are likewise constantly paired phenomena. The lower trigram indicates gentleness within; the upper, movement without.*

*In the sphere of social relationships, the hexagram represents the institution of marriage as the enduring union of the sexes. During courtship the young man subordinates himself to the girl, but in marriage, which is represented by the coming together of the eldest son and the eldest daughter, the husband is the directing and moving force outside, while the wife, inside, is gentle and submissive.*

#### *THE JUDGMENT*

*DURATION. Success. No blame.  
Perseverance furthers.  
It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

## **2) THE ADVICE**

*Thunder and wind: the image of DURATION.  
Thus the superior man stands firm  
And does not change his direction.*

*Thunder rolls, and the wind blows; both are examples of extreme mobility and so are seemingly the very opposite of duration, but the laws governing their appearance and subsidence, their coming and going, endure. In the same way the independence of the superior man is not based on rigidity and immobility of character. He always keeps abreast of the time and changes with it. What endures is the unswerving directive, the inner law of his being, which determines all his actions.*

## **3) THE LINES:**

*0 Nine in the second place means:*  
*Remorse disappears.*

*The situation is abnormal. A man's force of character is greater than the available material power. Thus he might be afraid of allowing himself to attempt something beyond his strength. However, since it is the time of DURATION, it is possible for him to control his inner strength and so to avoid excess. Cause for remorse then disappears.*

*Six at the top means:*  
*Restlessness as an enduring condition brings misfortune.*

*There are people who live in a state of perpetual hurry without ever attaining inner composure. Restlessness not only prevents all thoroughness but actually becomes a danger if it is dominant in places of authority.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 56 - Lu - The Wanderer*

*The mountain, Ken, stands still; above it fire, Li, flames up and does not tarry. Therefore the two trigrams do not stay together. Strange lands and separation are the wanderer's lot.*

*THE JUDGMENT*

*THE WANDERER.  
Success through smallness.  
Perseverance brings good fortune  
To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious*

*and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

### *THE IMAGE*

*Fire on the mountain: The image of THE WANDERER.*

*Thus the superior man  
Is clear-minded and cautious  
In imposing penalties,  
And protracts no lawsuits.*

*When grass on a mountain takes fire, there is bright light. However, the fire does not linger in one place, but travels on to new fuel. It is a phenomenon of short duration. This is what penalties and lawsuits should be like. They should be a quickly passing matter, and must not be dragged out indefinitely. Prisons ought to be places where people are lodged only temporarily, as guests are. They must not become dwelling places.*



## **33 RETREAT**

### **MANAGERIAL ISSUE:**

The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation.

Hexagram 33 is a Time-Space where the Superior CEO must realize:

- 1) There are moments in which fate will work against his corporation. In a cyclical world, hard times are inevitable. The Superior CEO knows no corporation can win all the time and he must prepare contingency plans to deal with worst-case scenarios. All CEOs have to accept this and prepare for it. In this particular moment, the corporation is going through a difficult time requiring defensive action. A tactical retreat could be both honorable and wise. The Superior CEO therefore looks for the proper place to retreat so as not to be exposed to a takeover. He prepares for the worst and thus avoids losing precious resources in futile battles; especially because he knows he will need these same resources later on.
- 2) The amount of harm his enemy can inflict is limited and thus he must retreat and wait for such damage to spend itself out. If we look at the YIN and YANG round symbol we realize that both are limited in their advance because they are confined to a given space. Neither the YIN nor the YANG are in a perfect equilibrium position and there is always a time in which each will have the upper hand; however, neither the YIN nor the YANG can completely destroy each other.
- 3) Sometimes it is necessary for a strategic retreat, as the enemy might be too strong. This retreat, in turn, will bring about success.
- 4) Throughout the six stages of the Retreat Time Space, the CEO sometimes will be able to complete the Retreat but other times his enemies will get too close and block his Retreat. Each stage will require different strategies.

### **MANAGERIAL LESSON:**

**To perform a strategic retreat, the Superior CEO must:**

- 1) Plan and carry out the retreat in a proper manner. A tactical retreat should not be confused with running away in panic.
- 2) See well in advance the moment to retreat and do so accordingly, otherwise the retreat will not be a strategic or a temporary one but rather a desperate run for one's life. When we are on top we must use our financial strength to prepare for the hard times - when in peace, prepare for war.

3) Make things difficult for the enemy as the retreat takes place. This was the case of the Russians burning everything (scorched earth) on their path as Napoleon advanced. This destruction should be done gradually rather than total. This is very much guerrilla warfare and evokes images of Mao's Long March. For instance, the corporation can do a tactical retreat by creating poison pills for the company that is trying to take it over, or drawing it into a legal battle to make things harder for it.

4) Include a plan to counter attack as part of the strategic retreat.

5) Maintain a proper attitude. Be calmed and keep a superior attitude. Any CEO might hate his enemy but the Superior CEO does not allow his emotions to affect his decisions. He reserves his emotions for his wife only (General Marshall). The Superior CEO knows that a regal attitude towards his enemies or towards the corporation that is trying to take them over is a must, and sometimes only the superior attitude would be enough to deter the enemy from making further advances. This condition is also applicable to both: a CEO who prepares his corporation for a possible takeover by a larger corporation, and to a CEO who prepares for one of his subordinate's attempts to try and take over his job.

6) Keeps from implementing any grand new project. It is obvious that during the Retreat Time - Space no CEO could handle any new project that would require both his attention as well as the corporation's resources.

## **INVESTMENT ADVICE:**

For the investor, the RETREAT is not a favorable Time-Space to invest. Who wants to invest in a corporation where the *Power of the Dark is ascending*? Who wants to invest in a corporation where the CEO's main role is to Retreat to ensure the corporation's survival?

By itself (no lines) it points to the possibility of success if the CEO stays in small projects. But even then, it would be best to look for another investment opportunity.

*RETREAT. Success.*

*In what is small, perseverance furthers.*

*Conditions are such that the hostile forces favored by the time are advancing. In this case retreat is the right course, and it is through retreat that success is achieved. But success consists in being able to carry out the retreat correctly. Retreat is not to be confused with flight. Flight means saving oneself under any circumstances whereas retreat is a sign of strength. We must be careful not to miss the right moment while we are in full possession of power and position. Then we shall be able to interpret the signs of the time before it is too late and to prepare for provisional retreat instead of being drawn into a desperate life-and-death struggle. Thus we do not simply abandon the field to the opponent; we make it difficult for him to advance by showing perseverance in single acts of resistance. In this way we prepare, while retreating, for the counter - movement. Understanding the laws of a constructive retreat of this sort is not easy. The meaning that lies hidden in such a time is important.*

The lines point to two possibilities of investing in the third and fifth lines. The investor must keep in mind that the lines point to good fortune because the retreat was possible or completed. Does the investor want to invest in a corporation that is successfully retreating?

The following cases are those of corporations under the Retreat Time-Space:

- **Clorox Corporation CLX under CEO Donald R. Knauss**
- **Sears Holdings Corporation SHLD under CEO W. Bruce Johnson**
- **Expeditors International of Washington Inc. EXPD under CEO Peter J. Rose**
- **Symantec Corporation SYMC under CEO Enrique T. Salem**

(Read at end of the Hexagram).

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation – in the wrong place at the wrong time.

**Managerial Lesson:** Be still.

**Managerial Warning:** At the first stage of the Retreat Time-Space, the CEO faces a dangerous condition. His position is too weak at the time of retreat.

**Managerial Advice:** The Superior CEO knows that both: to do and not to do are equally important. In this case, he knows the best way to escape danger is to do nothing.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation - correct in the retreat, unable to distance the corporation from its enemy.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the second stage of the Retreat Time-Space, the CEO fails to shake off his enemy.

**Managerial Advice:** the Superior CEO knows that sometimes even evil men can overcome good men when evil men pursue with enough resolution what they believe to be right.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation. – The retreat is halted by unforeseen circumstances.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the third stage of the Retreat Time-Space, the CEO can no longer act freely. His Retreat is held back. As a result, the corporation is placed in danger.

**Managerial Advice:** The Superior CEO knows sometimes the way out is to embrace his enemy, to put his arms around him so that he cannot get a hold of his weapons, “*so that one may at least keep one's initiative and not fall helplessly under their domination.*” This is what the Japanese did with the Americans’ culture after their defeat. This, however, is not an ideal situation.

**Investment Advice:** Do not invest. There is a possibility of success, but it is best to look for better alternatives.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation - the correct attitude at the time of retreat.

**Managerial Lesson:** Be positive.

**Managerial Warning:** At the fourth stage of the Retreat Time-Space, the CEO realizes the retreat is correct and adjusts easily to it because it is an attitude that does not go against his principles. However, The I Ching warns his enemies who pursue him that they will suffer from their pursuit.

**Managerial Advice:** The Superior CEO keeps a positive attitude when retreating. By such positive attitude, he focuses on the fact that retreating will add value to his corporation while those who pursued it will suffer for it.

**Investment Advice:** Do not invest. There might be a strong chance of success, but it is best to look for better alternatives.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation – being resolute at the time of retreat.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the fifth stage of the Retreat Time-Space, the CEO has a good opportunity for a proper Retreat.

**Managerial Advice:** The Superior CEO knows that for the timing of the retreat to be proper, his resolution must be unwavering so as not allow minor items to distract him from his plans.

**Investment Advice:** Do not invest. There is a strong chance of success, but it is best to look for better alternatives.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing a strategic retreat (from any condition such as for instance, a partnership, a market, a product, an industry or a country) to save his corporation – having the proper timing and the proper mental attitude.

**Managerial Lesson:** Be clear.

**Managerial Warning:** At the sixth stage of the Retreat Time-Space, the CEO has the necessary clarity of vision to proceed with his plans to retreat.

**Managerial Advice:** The Superior CEO knows that clarity of vision provides the positive mood necessary to know the proper way. This in turn, leads to inner peace and the right choice.

**Investment Advice:** Do not invest. There is a strong chance of success, but it is best to look for better alternatives.

## **MANAGERIAL CASES**

### **Clorox Corporation CLX under CEO Donald R. Knauss**

Donald Knauss' Performance:	ROI= (0.68%)	Annualized Return= (0.14%)
SPY's Performance:	ROI= (16.57%)	Annualized Return= (3.64%)

Donald Knauss has been CEO of Clorox Corporation since October of 2006. Since then his performance has been poor in that it has been flat. For any CEO, including a Superior one, it is extremely difficult to manage a retreat, even when the retreat is the proper way out (favorable).

His performance has been very poor which points to the line in the 1<sup>st</sup> place. However, he still might be able to pull off the retreat given he has two positive lines in the 3<sup>rd</sup> and the 5<sup>th</sup> places.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 33 – Tun - Retreat*

*The power of the dark is ascending. The light retreats to security, so that the dark cannot encroach upon it. This retreat is a matter not of man's will but of natural law. Therefore in this case withdrawal is proper; it is the correct way to behave in order not to exhaust one's forces.*

*In the calendar this hexagram is linked with the sixth month (July-August), in which the forces of winter are already showing their influence.*

#### *THE JUDGMENT*

*RETREAT. Success.*

*In what is small, perseverance furthers.*

*Conditions are such that the hostile forces favored by the time are advancing. In this case retreat is the right course, and it is through retreat that success is achieved. But success consists in being able to carry out the retreat correctly. Retreat is not to be confused with flight. Flight means saving oneself under any circumstances whereas retreat is a sign of strength. We must be careful not to miss the right moment while we are in full possession of power and position. Then we shall be able to interpret the signs of the time before it is too late and to prepare for provisional retreat instead of being drawn into a desperate life-and-death struggle. Thus we do not simply abandon the field to the opponent; we make it difficult for him to advance by showing perseverance in single acts of resistance. In this way we prepare, while retreating, for the counter - movement. Understanding the laws of a constructive retreat of this sort is not easy. The meaning that lies hidden in such a time is important.*

### **2) THE ADVICE**

*Mountain under heaven: the image of RETREAT.*

*Thus the superior man keeps the inferior man at a distance,  
Not angrily but with reserve.*

*The mountain rises up under heaven, but owing to its nature it finally comes to a stop. Heaven on the other hand retreats upward before it into the distance and remains out of reach. This symbolizes the behavior of the superior man toward a climbing inferior; he retreats into his own*

thoughts as the inferior man comes forward. He does not hate him, for hatred is a form of subjective involvement by which we are bound to the hated object. The superior man shows strength (heaven) in that he brings the inferior man to a standstill (mountain) by his dignified reserve.

### **3) THE LINES:**

Six in the second place means:

*He holds him fast with yellow oxhide.*

*No one can tear him loose.*

*Yellow is the color of the middle. It indicates that which is correct and in line with duty. Oxhide is strong and not to be torn. While the superior men retreat and the inferior press after them, the inferior man represented here holds on so firmly and tightly to the superior men that the latter cannot shake him off. And because he is in quest of what is right and so strong in purpose, he reaches his goal. 2 Thus the line confirms what is said in the Judgment: "In what is small" - here equivalent to "in the inferior man" - "perseverance furthers."*

Nine in the third place means:

*A halted retreat is nerve-wracking and dangerous.*

*To retain people as men - and maidservants*

*Brings good fortune.*

*When it is time to retreat it is both unpleasant and dangerous to be held back, because then one no longer has freedom of action. In such a case the only expedient is to take into one's service, so to speak, those who refuse to let one go, so that one may at least keep one's initiative and not fall helplessly under their domination. But even with this expedient the situation is far from satisfactory - for what can one hope to accomplish with such servants?*

0 Nine in the fifth place means:

*Friendly retreat.*

*Perseverance brings good fortune.*

*It is the business of the superior man to recognize in time that the moment for retreat has come. If the right moment is chosen, the retreat can be carried out within the forms of perfect friendliness, without the necessity of disagreeable discussions. Yet, for all the observance of amenities, absolute firmness of decision is necessary if one is not to be led astray by irrelevant considerations.*

1. The idea expressed by this hexagram is similar to that in the saying of Jesus: "But I say unto you, that ye resist not evil" (Matt. 5:39)-

2. A similar idea is suggested in the story of Jacob's battle with the angel of Peniel: "I will not let thee go, except thou bless me" (Gen. 32 : 26).

#### **4) THE MOVING HEXAGRAM**

##### *HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

##### *THE JUDGMENT*

###### *BEFORE COMPLETION.*

*Success.*

*But if the little fox, after nearly completing the crossing,  
Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

##### *THE IMAGE*

*Fire over water: The image of the condition before transition.  
Thus the superior man is careful  
In the differentiation of things,  
So that each finds its place.*

*When fire, which by nature flames upward, is above, and water, which flows downward, is below, their effects take opposite directions and remain unrelated. If we wish to achieve an effect, we must first investigate the nature of the forces in question and ascertain their proper place. If we can bring these forces to bear in the right place, they will have the desired effect, and completion will be achieved. But in order to handle external forces properly, we must above all arrive at the correct standpoint ourselves, for only from this vantage can we work correctly.*



## Sears Holdings Corporation SHLD under CEO W. Bruce Johnson

W. Bruce Johnson's Performance: ROI= (7.50%)      Annualized Return= (2.55%)  
SPY's Performance:                      ROI= 0.03%                      Annualized Return= 0.01%

W. Bruce Johnson was CEO of Sears Holdings Corporation from February 2008 to February 2011. During his time as CEO his performance was poor compared to the SPY's which underlines the fact he did not possess the qualities which the I Ching would require from someone whose mandate is to manage the Retreat Time-Space.

### Points the investor should consider:

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*0 Six at the beginning means:*

*At the tail in retreat.*

*This is dangerous.*

*One must not wish to undertake anything.*

*Since the hexagram is the picture of something that is retreating, the lowest line represents the tail and the top line the head. In a retreat it is advantageous to be at the front. Here one is at the back, in immediate contact with the pursuing enemy. This is dangerous, and under such circumstances it is not advisable to undertake anything. Keeping still is the easiest way of escaping from the threatening danger.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAMA 13 - T'ung Jen - Fellowship with Men

*The image of the upper trigram Ch'ien is heaven, and that of the lower, Li, is flame. It is the nature of fire to flame up to heaven. This gives the idea of fellowship. It is the second line that, by virtue of its central character, unites the five strong lines around it. This hexagram forms a complement to Shih, THE ARMY (7). In the latter, danger is within and obedience without - the character of a warlike army, which, in order to hold together, needs one strong man among the many who are weak. Here, clarity is within and strength without - the character of a peaceful*

*union of men, which, in order to hold together, needs one yielding nature among many firm persons.*

### THE JUDGMENT

*FELLOWSHIP WITH MEN in the open.*

*Success.*

*It furthers one to cross the great water.*

*The perseverance of the superior man furthers.*

*True fellowship among men must be based upon a concern that is universal. It is not the private interests of the individual that create lasting fellowship among men, but rather the goals of humanity. That is why it is said. That fellowship with men in the open succeeds. If unity of this kind prevails, even difficult and dangerous tasks, such as crossing the great water, can be accomplished. But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out. (The inner trigram means clarity; the outer, strength.)*

### THE IMAGE

*Heaven together with fire: The image of FELLOWSHIP WITH MEN.*

*Thus the superior man organizes the clans*

*And makes distinctions between things.*

*Heaven has the same direction of movement as fire, yet it is different from fire. Just as the luminaries in the sky serve for the systematic division and arrangement of time, so human society and all things that really belong together must be organically arranged. Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship. If fellowship is to lead to order, there must be organization within diversity.*

## **Expeditors International of Washington Inc. EXPD under CEO Peter J. Rose**

Peter J. Rose's Performance:	ROI= 4,382.11%	Annualized Return= 19.69%
SPY's Performance:	ROI= 153.64%	Annualized Return= 4.50%

Peter J. Rose has been CEO of Expeditors International of Washington for a long time. He became CEO October of 1988. Since then, his performance has been excellent because it refers to a previous Time-Space.

Going forward from 2011 and as he takes the corporation through the RETREAT Time-Space, the question is if he possess the qualities which the I Ching would require from someone whose mandate is to manage the Retreat Time-Space. Heaven might favor him because he has two relatively positive lines. What is worrisome is the Moving Hexagram: Obstruction.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the fourth place means:*

*Voluntary retreat brings good fortune to the superior man  
And downfall to the inferior man.*

*In retreating the superior man is intent on taking his departure willingly and in all friendliness. He easily adjusts his mind to retreat, because in retreating he does not have to do violence to his convictions. The only one who suffers is the inferior man from whom he retreats, who will degenerate when deprived of the guidance of the superior man.*

*Nine at the top means:*

*Cheerful retreat.  
Everything serves to further.*

*The situation is unequivocal. Inner detachment has become an established fact, and we are at liberty to depart. When one sees the way ahead thus clearly, free of all doubt, a cheerful mood sets in, and one chooses what is right without further thought. Such a dear path ahead always leads to the good.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 39 – Chien - Obstruction*

*The hexagram pictures a dangerous abyss lying before us and a steep, inaccessible mountain rising behind us. We are surrounded by obstacles; at the same time, since the mountain has the attribute of keeping still, there is implicit a hint as to how we can extricate ourselves. The hexagram represents obstructions that appear in the course of time but that can and should be overcome. Therefore all the instruction given is directed to overcoming them.*

*THE JUDGMENT*

*OBSTRUCCION.*

*The southwest furthers.*

*The northeast does not further.  
It furthers one to see the great man.  
Perseverance brings good fortune.*

*The southwest is the region of retreat, the northeast that of advance. Here an individual is confronted by obstacles that cannot be overcome directly. In such a situation it is wise to pause in view of the danger and to retreat. However, this is merely a preparation for overcoming the obstructions. One must join forces with friends of like mind and put himself under the leadership of a man equal to the situation: then one will succeed in removing the obstacles. This requires the will to persevere just when one apparently must do something that leads away from his goal. This unswerving inner purpose brings good fortune in the end. An obstruction that lasts only for a time is useful for self-development. This is the value of adversity.*

### **THE IMAGE**

*Water on the mountain:  
The image of OBSTRUCTION.  
Thus the superior man turns his attention to himself  
And molds his character.*

*Difficulties and obstructions throw a man back upon himself. While the inferior man seeks to put the blame on other persons, bewailing his fate, the superior man seeks the error within himself, and through this introspection the external obstacle becomes for him an occasion for inner enrichment and education.*

## **Symantec Corporation SYMC under CEO Enrique T. Salem**

Enrique T. Salem's Performance:	ROI=	0.85%	Annualized Return=	0.36%
SPY's Performance:	ROI=	38.96%	Annualized Return=	14.76%

Enrique T. Salem became CEO of Symantec Corporation in April of 2009. Since then, his performance has been poor compared to the SPY's which points to the difficulties of the 1<sup>st</sup> line. However, he has two relatively positive lines which should favor him going forward. The Moving hexagram is also positive.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

## **2) THE ADVICE**

(Same as Above).

## **3) THE LINES:**

Six in the second place means:

*He holds him fast with yellow oxhide.*

*No one can tear him loose.*

*Yellow is the color of the middle. It indicates that which is correct and in line with duty. Oxhide is strong and not to be torn. While the superior men retreat and the inferior press after them, the inferior man represented here holds on so firmly and tightly to the superior men that the latter cannot shake him off. And because he is in quest of what is right and so strong in purpose, he reaches his goal. 2 Thus the line confirms what is said in the Judgment: "In what is small" - here equivalent to "in the inferior man" - "perseverance furthers."*

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*And downfall to the inferior man.*

*In retreating the superior man is intent on taking his departure willingly and in all friendliness. He easily adjusts his mind to retreat, because in retreating he does not have to do violence to his convictions. The only one who suffers is the inferior man from whom he retreats, who will degenerate when deprived of the guidance of the superior man.*

0 Nine in the fifth place means:

*Friendly retreat.*

*Perseverance brings good fortune.*

*It is the business of the superior man to recognize in time that the moment for retreat has come. If the right moment is chosen, the retreat can be carried out within the forms of perfect friendliness, without the necessity of disagreeable discussions. Yet, for all the observance of amenities, absolute firmness of decision is necessary if one is not to be led astray by irrelevant considerations.*

Nine at the top means:

*Cheerful retreat.*

*Everything serves to further.*

*The situation is unequivocal. Inner detachment has become an established fact, and we are at liberty to depart. When one sees the way ahead thus clearly, free of all doubt, a cheerful mood sets in, and one chooses what is right without further thought. Such a dear path ahead always leads to the good.*

## **4) THE MOVING HEXAGRAM**

## Hexagram 46 – Sheng - Pushing Upward

*The lower trigram, Sun, represents wood, and the upper, K'un, means the earth. Linked with this is the idea that wood in the earth grows upward. In contrast to the meaning of Chin, PROGRESS (35), this pushing upward is associated with effort, just as a plant needs energy for pushing upward through the earth. That is why this hexagram, although it is connected with success, is associated with effort of the will. In PROGRESS the emphasis is on expansion; PUSHING UPWARD indicates rather a vertical ascent - direct rise from obscurity and lowliness to power and influence.*

### THE JUDGMENT

#### PUSHING UPWARD

*Has supreme success.  
One must see the great man.  
Fear not.  
Departure toward the south  
Brings good fortune.*

*The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*

### THE IMAGE

*Within the earth, wood grows: The image of PUSHING UPWARD.  
Thus the superior man of devoted character  
Heaps up small things  
In order to achieve something high and great.*

*Adapting itself to obstacles and bending around them, wood in the earth grows upward without haste and without rest. Thus too the superior man is devoted in character and never pauses in his progress.*

## **34 THE POWER OF THE GREAT**

### **MANAGERIAL ISSUE:**

The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely.

THE POWER OF THE GREAT Time-Space gives us an image of a CEO who runs a great corporation so successfully that he now has to face his own worst enemy – himself, for he now risks losing his sense of justice. This CEO is so talented that his mere presence gives confidence to the employees and to the shareholders. In this particular case, this CEO is taking over at a time when he is superseded by his fame. His reputation; however, is based on real merits because he already has proven to be successful in other corporations. However, THE POWER OF THE GREAT is also a time when the corporation's strength is beginning to reach its zenith and therefore it risks relying on its own fame for selling its products rather than in true creativity and innovation.

### **MANAGERIAL LESSON:**

The Superior CEO knows that when his fame is so great, he must face the typical temptations successful CEOs must face - the temptation to:

- 1) Hear his own voice only. Many successful CEOs really believe they can do it all because they believe they know it all and, therefore they do not require of council or experts' advice.
- 2) Get into an ego trip. This is manifested by wanting to take over other corporations for the sake of fame rather than for the sake of the well-being of his own corporation. This last risk is perhaps one of the greatest risks the CEO must face – his impatience in becoming famous. Sometimes the CEOs get so involved in their projects, such as a takeover or the launching of a new product, that they don't realize that patience and timing are crucial.

A question all CEOs should ask is, can I patiently wait a few years for the results of my policies to take effect, as in the case of Ralph Larsen (the famous ex CEO of Johnson & Johnson whose philosophy was based on ethical behavior rather than immediate results), or must I see the results right away like most CEOs do and get a quick credit for them? This is a great lesson for the CEO. Most CEOs tend to lose their focus the minute the corporation is number one in the industry. It is like an itch, a malicious desire to get into trouble after having worked so hard to get to be number one. Warren Buffett is very much on the lookout for this kind of behavior to dump such stock. The CEO's greatest danger is when he is on top, when the Board of Directors, the employees, Fortune Magazine and even the Street, recognize him as the best there is. This is the case of Jack Welch. He stuck to his business by keeping those businesses where GE was number 1 or 2 only, and refused to be lured by tempting offers in different products and markets. By holding on to the Power of the Great, he kept GE on top. Even his attempt to take over Honeywell was part of keeping within the technology industry. The opposite was the case of Tyco's CEO.

- 3) Do what they know to be morally wrong and try to get away with it. For the CEO to be sure his position is one of strength, he must first make sure that what he is doing is right. Indeed, only right makes might.

## **INVESTMENT ADVICE:**

For the investor, the Power of the Great Time-Space is a favorable Time-Space to invest.

By itself (no lines), it points to the possibility of a relative success provided the CEO keeps in mind it is no longer the best of times and reminds himself to do what is right rather than to rely on brute force.

*THE POWER OF THE GREAT.*

*Perseverance furthers.*

*The hexagram points to a time when inner worth mounts with great force and comes to power. But its strength has already passed beyond the median line, hence there is danger that one may rely entirely on one's own power and forget to ask what is right. There is danger too that, being intent on movement, we may not wait for the right time. Therefore the added statement that perseverance furthers. For that is truly great power which does not degenerate into mere force but remains inwardly united with the fundamental principles of right and of justice. When we understand this point - namely, that greatness and justice must be indissoluble united - we understand the true meaning of all that happens in heaven and on earth.*

There are 2 good fortune events and two reasonable possibilities to invest.

The following cases are those of corporations under the Power of the Great Time-Space:

- **ConocoPhillips COP under CEO J. J. Mulva**
- **FLIR Systems, Inc. FLIR under CEO Earl R. Lewis**

(Read at end of the Hexagram)

## **THE LINES**

The Power of The Great comes from moving correctly and timely. The lines point to a progression of movements which range from:

- Not requiring any movement,
- To moving the wrong way and making no correction,
- To moving wrongfully, recognizing the error and reversing the course.



### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely - abusing the power by moving forcefully rather than correctly.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the first stage of the Power of the Great Time-Space, the CEO finds himself in an inferior position which he feels forces him to move.

**Managerial Advice:** The Superior CEO knows it is not about how high is the corporation but how high is the moral ground. He always does what is right and therefore does nothing forcefully. The Superior CEO moves onto a project with the council of his advisors and experts and never forces his opinion upon others.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely - abusing the power as successes lead to insatiability.

**Managerial Lesson:** Be moderate.

**Managerial Warning:** At the second stage of the Power of the Great Time-Space, the CEO risks overreaching due to his previous successes.

**Managerial Advice:** The Superior CEO fully digest his latest project and waits a while (that is to persevere), before even attempting to launch another project.

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely – abusing the power with his super ego – ignoring the limitations – his own as well as the corporation's.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the third stage of the Power of the Great Time-Space, the CEO risks pushing ahead regardless of circumstances.

**Managerial Advice:** The Superior CEO weighs carefully any new project, especially those which could be very costly to his company. He knows history and meditates on all those foolish

corporate takeovers and how much damage their CEOs have done to their own corporations. He does not let it become an ego play.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely – moving successfully, with the proper attitude at a time of opposition

**Managerial Lesson:** Be analytical.

**Managerial Warning:** At the fourth stage of the Power of the Great Time-Space, the CEO finds the way open – he can overcome the obstruction.

**Managerial Advice:** The Superior CEO quietly looks inward for the real cause behind the opposition to his efforts to improve his corporation. He knows he must work quietly and constantly to remove all resistance to his project. To him, this is more important than looking outward for new conquests.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely – not abusing the power at a time when there is no opposition.

**Managerial Lesson:** Be proportionate.

**Managerial Warning:** At the fifth stage of the Power of the Great Time-Space, the CEO finds things easy with no resistance at all.

**Managerial Advice:** The Superior CEO knows when to move the power of the corporation forcefully and when not to. He knows the strength of the movement must be proportionate to the resistance it encounters. Here, there is no resistance therefore no force is needed for his move.

**Investment Advice:** Invest

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The great CEO – managing the Power of The Great (his corporation's as well as his own) which comes from moving correctly and timely – correcting his move after abusing the power by advancing too far.

**Managerial Lesson:** Be repentant.

**Managerial Warning:** At the sixth stage of the Power of the Great Time-Space, the CEO risks complicating things by going too far in his project.

**Managerial Advice:** The Superior CEO admits his mistakes and ceases from his wrongful pursuit. He knows that to continue on the wrong pursuit will only lead to a deadlock where he can neither advance nor retreat.

**Investment Advice:** Invest.

## **MANAGERIAL CASES**

### **ConocoPhillips COP under CEO J. J. Mulva**

J. J. Mulva's Performance:	ROI=	122.47%	Annualized Return=	8.64%
SPY's Performance:	ROI=	2.75%	Annualized Return=	0.28%

J. J. Mulva became CEO ConocoPhillips in January of 2002. Since then, his performance has been superior to the SPY's.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future Time – Space. It is the Power of the Great.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 34 - Ta Chuang - The Power of the Great*

*The great lines, that is, the light, strong lines, are powerful. Four light lines have entered the hexagram from below and are about to ascend higher. The upper trigram is Chen, the Arousing; the lower is Ch'ien, the Creative. Ch'ien is strong, Chen produces movement. The union of movement and strength gives the meaning of THE POWER OF THE GREAT. The hexagram is linked with the second month (March April).*

## THE JUDGMENT

### THE POWER OF THE GREAT.

*Perseverance furthers.*

*The hexagram points to a time when inner worth mounts with great force and comes to power. But its strength has already passed beyond the median line, hence there is danger that one may rely entirely on one's own power and forget to ask what is right. There is danger too that, being intent on movement, we may not wait for the right time. Therefore the added statement that perseverance furthers. For that is truly great power which does not degenerate into mere force but remains inwardly united with the fundamental principles of right and of justice. When we understand this point - namely, that greatness and justice must be indissoluble united - we understand the true meaning of all that happens in heaven and on earth.*

## 2) THE ADVICE

*Thunder in heaven above: The image of THE POWER OF THE GREAT.*

*Thus the superior man does not tread upon paths*

*That do not accord with established order.*

*Thunder - electrical energy - mounts upward in the spring. The direction of this movement is in harmony with that of the movement of heaven. It is therefore a movement in accord with heaven, producing great power. However, true greatness depends on being in harmony with what is right. Therefore in times of great power the superior man avoids doing anything that is not in harmony with the established order.*

## 3) THE LINES:

*Nine in the third place means:*

*The inferior man works through power.*

*The superior man does not act thus.*

*To continue, is dangerous.*

*A goat butts against a hedge*

*And gets its horns entangled.*

*Making a boast of power leads to entanglements, just as a goat entangles its horns when it butts against a hedge. Whereas an inferior man revels in power when he comes into possession of it, the superior man never makes this mistake. He is conscious at all times of the danger of pushing ahead regardless of circumstances, and therefore renounces in good time the empty display of force.*

## 4) THE MOVING HEXAGRAM

HEXAGRAM 54 – Kuei Mei - The Marrying Maiden

*Above we have Chen, the eldest son, and below, Tui, the youngest daughter. The man leads and the girl follows him in gladness. The picture is that of the entrance of the girl into her husband's house. In all, there are four hexagrams depicting the relationship between husband*

and wife. Hsien, *INFLUENCE* (31), describes the attraction that a young couple has for each other; Heng, *DURATION* (32), portrays the permanent relationships of marriage; Chien, *DEVELOPMENT* (53), reflects the protracted, ceremonious procedures attending the arrangement of a proper marriage; finally, Kuei Mei, *THE MARRYING MAIDEN*, shows a young girl under the guidance of an older man who marries her. (1)

## THE JUDGMENT

### THE MARRYING MAIDEN.

*Undertakings bring misfortune.  
Nothing that would further.*

*A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*

*The same is true of all voluntary relationships between human beings. While legally regulated relationships evince a fixed connection between duties and rights, relationships based on personal inclination depend in the long run entirely on tactful reserve.*

*Affection as the essential principle of relatedness is of the greatest importance in all relationships in the world. For the union of heaven and earth is the origin of the whole of nature. Among human beings likewise, spontaneous affection is the all-inclusive principle of union.*

## THE IMAGE

*Thunder over the lake: The image of THE MARRYING MAIDEN.  
Thus the superior man  
Understands the transitory  
In the light of the eternity of the end.*

*Thunder stirs the water of the lake, which follows it in shimmering waves. This symbolizes the girl who follows the man of her choice. But every relationship between individuals bears within it the danger that wrong turns may be taken, leading to endless misunderstandings and disagreements. Therefore it is necessary constantly to remain mindful of the end. If we permit ourselves to drift along, we come together and are parted again as the day may determine. If on the other hand a man fixes his mind on an end that endures, he will succeed in avoiding the reefs that confront the closer relationships of people.*

## **FLIR Systems, Inc. FLIR under CEO Earl R. Lewis**

Earl R. Lewis' Performance:	ROI=	5,144.88%	Annualized Return=	44.21%
SPY's Performance:	ROI=	(12.06%)	Annualized Return=	(1.18%)

Earl R. Lewis became CEO of FLIR Systems in November of 2000. Since then, his performance has been that of a Superior CEO outperforming the SPY many times over.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future Time – Space. It is the Power of the Great.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Six in the fifth place means:*

*Loses the goat with ease.*

*No remorse.*

*The goat is noted for hardness outwardly and weakness within. Now the situation is such that everything is easy; there is no more resistance. One can give up a belligerent, stubborn way of acting and will not have to regret it.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 43 – Kuai - Break-through (Resoluteness)*

*This hexagram signifies on the one hand a break-through after a long accumulation of tension, as a swollen river breaks through its dikes, or in the manner of a cloudburst. On the other hand, applied to human conditions, it refers to the time when inferior people gradually begin to disappear. Their influence is on the wane; as a result of resolute action, a change in conditions occurs, a break-through. The hexagram is linked with the third month [April-May].*

## *THE JUDGMENT*

*BREAK-THROUGH.*

*One must resolutely make the matter known*

*At the court of the king.*

*It must be announced truthfully.*

*Danger.*

*It is necessary to notify one's own city.*

*It does not further to resort to arms.  
It furthers one to undertake something.*

*Even if only one inferior man is occupying a ruling position in a city, he is able to oppress superior men. Even a single passion still lurking in the heart has power to obscure reason. Passion and reason cannot exist side by side - therefore fight without quarter is necessary if the good is to prevail.*

*In a resolute struggle of the good against evil, there are, however, definite rules that must not be disregarded, if it is to succeed. First, resolution must be based on a union of strength and friendliness. Second, a compromise with evil is not possible; evil must under all circumstances be openly discredited. Nor must our own passions and shortcomings be glossed over. Third, the struggle must not be carried on directly by force. If evil is branded, it thinks of weapons, and if we do it the favor of fighting against it blow for blow, we lose in the end because thus we ourselves get entangled in hatred and passion.*

*Therefore it is important to begin at home, to be on guard in our own persons against the faults we have branded. In this way, finding no opponent, the sharp edges of the weapons of evil become dulled. For the same reasons we should not combat our own faults directly. As long as we wrestle with them, they continue victorious. Finally, the best way to fight evil is to make energetic progress in the good.*

#### *THE IMAGE*

*The lake has risen up to heaven: The image of BREAK-THROUGH.  
Thus the superior man  
Dispenses riches downward  
And refrains from resting on his virtue.*

*When the water of a lake has risen up to heaven, there is reason to fear a cloudburst. Taking this as a warning, the superior man forestalls a violent collapse. If a man were to pile up riches for himself alone, without considering others, he would certainly experience a collapse. For all gathering is followed by dispersion. Therefore the superior man begins to distribute while he is accumulating. In the same way, in developing his character he takes care not to become hardened in obstinacy but to remain receptive to impressions by help of strict and continuous self-examination.*

## **35 PROGRESS**

### **MANAGERIAL ISSUE:**

The CEO – managing the corporation’s progress.

The PROGRESS Time-Space represents a great time for the corporation. This is a time for easy growth, overcoming obstacles, launching new products, hiring new people, corporate expansion, clear vision as represented by the sun rising over the Earth, and for the light shining upon hidden issues.

### **MANAGERIAL LESSON:**

Hexagram 35 provides the CEO with one of the I Ching’s greatest lessons:

The I Ching recommends two elements needed for a corporation to be successful:

- a) A capable CEO, and
- b) A loyal assistant.

The role of the assistant here is crucial. The assistant should execute the CEO’s ideas not as his but as that of his boss’, not looking for personal advancement but rather for the advancement of the CEO and of the corporation. The CEO, on the other hand should look upon his assistant as his personal friend and trusted advisor, and reward him richly and publicly for all his efforts. This combination of a wise CEO and an able as well as very loyal assistant creates a powerful team. And it is this team, which in turn brings about quick progress. The corporate world is full of these kinds of teams – for instance, the teaming up of Bill Gates and Steven Ballmer proved to be a successful combination for many years (it fell apart when Gates left). Even though such combination may sound easy to ensemble, it is difficult because it requires an almost perfect fit.

### **INVESTMENT ADVICE:**

For the investor, PROGRESS is a favorable Time-Space to invest.

By itself (no lines) it is positive because the CEO has the clarity of vision.

*PROGRESS.*

*The powerful prince*

*Is honored with horses in large numbers.*

*In a single day he is granted audience three times.*



*As an example of progress, this pictures a time when a powerful feudal lord rallies the other lords around the sovereign and pledges fealty and peace. The sovereign rewards him richly and invites him to a closer intimacy.*

*A twofold idea is set forth here. The actual effect of the progress emanates from a man who is in a dependent position and whom the others regard as their equal and are therefore willing to follow. This leader has enough clarity of vision not to abuse his great influence but to use it rather for the benefit of his ruler. His ruler in turn is free of all jealousy, showers presents on the great man, and invites him continually to his court. An enlightened ruler and an obedient servant - this is the condition on which great progress depends.*

There are 3 good fortune events and one not good fortune but still a reasonable possibility to invest.

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation’s progress – hesitating to manage progress even though all the elements are there - missing on the progress.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the first stage of the Progress Time-Space, the CEO risks missing the time of progress. He hesitates because he fears rejection.

**Managerial Advice:**, The Superior CEO recognizes his mistakes and will continue to do what is right. He will keep the proper attitude that Progress demands – by being of good cheer, by keeping the spirits up, by being cool (no anger), by being hopeful, and by not doing anything rash to rally the troops as that might lead to mistakes. The Superior CEO knows when all the elements of success are there. And he also knows that if he stays calmed, then he will make progress once all the elements fall into place.

**Investment Advice:** Invest. You may have to wait awhile for your investment to turn profitable.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – missing the time for progress for lack of communication.

**Managerial Lesson:** Be communicative.

**Managerial Warning:** At the second stage of the Progress Time-Space, the CEO faces a breakdown in the communications with his loyal assistant. They cannot get together either

because there might be people interfering between the two or because the CEO is too busy to meet him.

**Managerial Advice:** The Superior assistant is patient regardless of the reason why the CEO cannot meet him. He rests assured that in due time the CEO will meet him and reward him richly for his well-earned services. What is important is that they are both united not by selfish motives but by correct principles. This is a lesson for those assistants who go whining the minute the CEO cannot meet with them or who are willing to betray their bosses or their causes because they were not rewarded promptly.

**Investment Advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – properly managing the times of progress by moving forward independently but with support of others.

**Managerial Lesson:** Be resolute, be independent.

**Managerial Warning:** At the third stage of the Progress Time-Space, the CEO might not be independent enough to succeed when facing dangers by himself.

**Managerial Advice:** The Superior CEO recognizes when fate is on his side and takes advantage of these moments of progress. He is humble enough to accept the support of others provided he remains independent of pressures from those who support him.

**Investment Advice:** Invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing in the midst of progress - dealing with corruption.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the fourth stage of the Progress Time-Space, the CEO risks implementing dubious procedures. When the team (made up of the able CEO and the loyal assistant) have brought success to the corporation, they risk a strong temptation for the loyal assistant or for any other executive in authority to look for personal gains. Corruption can easily set in at this moment.

**Managerial Advice:** The Superior CEO is honest because he is a man of principles. He knows that the time of Progress (The rising of the Sun) means both that the elements for success are present, and that any dark or hidden action will be discovered. No one will get away with any act of corruption once the light shines on it.

**Investment Advice:** Do not invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing at a time of progress - maintaining the proper attitude.

**Managerial Lesson:** Be gentle.

**Managerial Warning:** At the fifth stage of the Progress Time-Space, the CEO finds he must keep the proper positive attitude even if he is not able to make the most of the times of progress.

**Managerial Advice:** The Superior CEO is both humble and grateful. He never brags. He is above winning or losing. He remains focused on making the most of the times of progress.

**Investment Advice:** Invest

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing progress - reaching the limits of aggressive punishment.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the sixth stage of the Progress Time-Space, the CEO must deal with the mistakes of his own – e.g. a loyal assistant who has gone overboard in his zealotry for doing his duty to please his CEO. Such attitude on the part of the assistant brings harm to the corporation and works against the elements of success, which are present in this propitious time.

**Managerial Advice:** The Superior CEO differentiates in his attitude in dealing with his own people's mistakes and someone else's. He knows he may be aggressive in punishing his own but he cannot be aggressive in punishing those outside the corporation.

**Investment Advice:** Do not invest.

## **36 DARKENING OF THE LIGHT**

### **MANAGERIAL ISSUE:**

The CEO – managing the Darkening of the Light – betrayed by his closest associates.

Hexagram 36 (The Darkening of the Light) is the opposite of the previous Hexagram (35 Progress).

- While in Hexagram 35 the Sun is rising, creating the right circumstances for success, in Hexagram 36 the Sun is setting, creating the conditions for failure. Also,
- While in Hexagram 35 the combination of an able CEO and a loyal assistant create a winning combination bringing about success, in Hexagram 36 the trusted assistant betrays his CEO and his corporation after the CEO trustingly placed him there, bringing destruction to the corporation.

### **MANAGERIAL LESSON:**

The Superior CEO is patient and forgiving and therefore does not allow betrayal to change his demeanor. When he becomes aware that his most trusted and loyal advisor betrays him, he knows there is nothing for him to do but to:

- Be patient,
- Withstand all the humiliations,
- Do what is right,
- Keep flexible.

The Superior CEO knows the Law of Cycles and therefore is certain the time of reckoning for his disloyal assistant will surely come.

Lincoln's example represents the classic behavior for managing under the Darkening of the Light. After barely arriving at the White House, he found himself at the start of a Civil War not of his making. His lack of military training forced him to rely on the counsel of a Prima Donna. To his dismay, Lincoln learned that his most trusted general betrayed him. Regardless of the honors Lincoln bestowed upon McClellan, the Little Napoleon took every opportunity to humiliate Lincoln, to speak evil of him and to bring harm to his Presidency as well as his cause.

Always the wiser, Lincoln:

- Kept his own counsel.
- Never spoke ill of McClellan, lest he would bring more enemies upon himself.
- Knew that in the end McClelland would prove to be his own worst enemy.

- Knew that all he had to do was: to keep an eye on the ultimate outcome (winning the war), to bide his time, and to turn a deaf ear while at the same time being very much aware of the evil surrounding him.

That same trait which had brought Lincoln to the Highest Office would also bring him to the inevitable victory - that trait, that element which has made so many men successful, is a combination of humility with tenacity (humacity?).

Lincoln's attitude should be an example to all CEOs. There will be times when the elements point to a Dark time, to difficulties ahead. The wise CEO must do as Lincoln did: be humble, avoid criticism, keep an eye on the ultimate outcome and let his own tenacity do the rest.

## **INVESTMENT ADVICE:**

For the investor, the Darkening of the Light Time-Space is obviously not favorable at all. How could anyone invest in a corporation where the able assistant betrays the CEO?.

By itself (no lines) it points the way for the CEO to persevere in the midst of adversity. However, this cannot be a good opportunity to invest.

*DARKENING OF THE LIGHT.*

*In adversity*

*It furthers one to be persevering.*

*One must not unresistingly let himself be swept along by unfavorable circumstances, nor permit his steadfastness to be shaken. He can avoid this by maintaining his inner light, while remaining outwardly yielding and tractable. With this attitude he can overcome even the greatest adversities.*

*In some situations indeed a man must hide his light, in order to make his will prevail in spite of difficulties in his immediate environment. Perseverance must dwell in inmost consciousness and should not be discernible from without. Only thus is a man able to maintain his will in the face of difficulties.*

There is only one possibility to invest and that is in the second line when the CEO barely manages to save his corporation thanks to his selflessness. But even then, it might not be worth it.

The following case is that of corporations under the Darkening of the Light Time-Space:

- **News Corp. NWS under CEO Keith Rupert Murdoch**

(Read at end of the Hexagram).

There is another case that we should review as a classic example of having it all to succeed and yet being crushed by the Darkness. Such is the case of:

- **Sun Microsystems under CEO Scott McNealy**

(Read On Management).

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light - the beginning.

**Managerial Lesson:** Be true.

**Managerial Warning:** At the first stage of the Darkening of the Light Time-Space, the CEO faces the beginning of the difficult times that will not allow him to achieve his goals - his own people not only fail to understand him but speak evil of him.

**Managerial Advice:** The Superior CEO is true to his own self. He keeps the ultimate outcome in mind, even if it means he will be misunderstood and humiliated. He knows his ideas, his vision and his capacity are great but he recognizes there is little he can do because he is in the downside of the cycle.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light - saving himself and his corporation from the onslaught of the Darkness.

**Managerial Lesson:** Be selfless.

**Managerial Warning:** At the second stage of the Darkening of the Light Time-Space, the CEO's most trusted advisor harms him. However, such harm is not fatal. The CEO still can survive and thrive.

**Managerial Advice:** The Superior CEO is selfless and therefore betrayal cannot harm him. He can still turn the corporation around provided his only thoughts are to save his corporation and the employees. Fate will surely reward such selflessness.

**Investment Advice:** Invest. Be aware of the risk and be patient.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light - moving slowly when fixing wrongs.

**Managerial Lesson:** Be patient (particularly in the face of evil).

**Managerial Warning:** At the third stage of the Darkening of the Light Time-Space, fate intervenes and , almost by accident, the CEO catches his disloyal assistant in wrong doings and brings him to justice.

**Managerial Advice:** The Superior CEO moves patiently when correcting wrongs. He never tries to correct all wrongs at once, particularly when these wrongs have been present for a long time. He knows such action would only create more enemies at a time when he needs all the friends he can get.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light - avoiding utter destruction.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the fourth stage of the Darkening of the Light Time-Space, the CEO is able to get close to his disloyal assistant (“keep your friends close, but your enemies even closer”) and learns about his evil plans. Such plans are so far advanced there is no longer any hope for improvements and so he finds himself trapped.

**Managerial Advice:** The Superior CEO picks his fights well. He knows when to fight and when not to fight. He knows the best policy is to avoid the fight before it evens begin. Experience has taught him that most traitors are unrepentant and will want to carry out their evil plans to completion. If the Superior CEO suspects well ahead of time that he will lose the fight, he will wisely keep away from such evil.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light – avoiding destruction by deceiving his enemies.

**Managerial Lesson:** Be unassuming.

**Managerial Warning:** At the fifth stage of the Darkening of the Light Time-Space, the CEO is tied to his position and cannot escape (or may be does not want to escape). Probably his love for his corporation is greater than his concern for his own reputation.

**Managerial Advice:** The Superior CEO puts the well-being of the corporation above his concern for his own personal reputation. He knows that sometimes, when there is no way out, it is strategic for him to appear as a fool and to make his enemies think of him as a fool. This is a good recourse for the CEO to deceive his enemies. He knows that to be prudent and tenacious is his only way out.

**Investment Advice:** Do not invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the Darkening of the Light – the end of darkness.

**Managerial Lesson:** Be watchful.

**Managerial Warning:** At the sixth stage of the Darkening of the Light Time-Space, the CEO must prepare for the end of the dark cycle. The same circumstances, which created the dark environment, are now dissipating.

**Managerial Advice:** The Superior CEO knows that absolute power corrupts absolutely because it undermines even its own evil foundations. The symbol of the TAO symbolizes it. Neither the YANG nor the YIN can have the absolute power over the other. They can neither completely destroy nor completely cancel each other out. Even at its strongest position, the opposite is still there to eventually take its place. Just as stability creates instability, instability creates stability.

**Investment Advice:** Do not invest.

## **MANAGERIAL CASES**

### **News Corp. NWS under CEO Keith Rupert Murdoch**

Rupert Murdochs Performance:	ROI=	551.63%	Annualized Return=	8.24%
Rupert Murdochs Performance:	ROI=	153.19%	Annualized Return=	5.31%
SPY's Performance:	ROI=	165.62%	Annualized Return=	5.40%

Rupert Murdoch has been CEO of News Corp since its inception. His performance since January of 1988 has been of 551.63%.

But compared with the SPY's since February of 1993 his performance has not been much better than the SPY's.



What is worrisome is that going forward from 2011 on, he faces the Darkening of the Light which is an extremely difficult Time-Space to manage. Perhaps the Moving Hexagram Enthusiasm might give him a hint as to how to proceed. To create Enthusiasm:

*It furthers  
one  
to install helpers And  
to set armies marching.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 36 - Ming I - Darkening of the Light*

*Here the sun has sunk under the earth and is therefore darkened. The name of the hexagram means literally "wounding of the bright"; hence the individual lines contain frequent references to wounding. The situation is the exact opposite of that in the foregoing hexagram. In the latter a wise man at the head of affairs has able helpers, and in company with them makes progress; here a man of dark nature is in a position of authority and brings harm to the wise and able man.*

#### *THE JUDGMENT*

*DARKENING OF THE LIGHT.  
In adversity  
It furthers one to be persevering.*

*One must not unresistingly let himself be swept along by unfavorable circumstances, nor permit his steadfastness to be shaken. He can avoid this by maintaining his inner light, while remaining outwardly yielding and tractable. With this attitude he can overcome even the greatest adversities.*

*In some situations indeed a man must hide his light, in order to make his will prevail in spite of difficulties in his immediate environment. Perseverance must dwell in inmost consciousness and should not be discernible from without. Only thus is a man able to maintain his will in the face of difficulties.*

### **2) THE ADVICE**

*The light has sunk into the earth: The image of DARKENING OF THE LIGHT.  
Thus does the superior man live with the great mass:  
He veils his light, yet still shines.*

*In a time of darkness it is essential to be cautious and reserved. One should not needlessly awaken overwhelming enmity by inconsiderate behavior. In such times one ought not to fall in with the practices of others; neither should one drag them censoriously into the light. In social*

*intercourse one should not try to be all-knowing. One should let many things pass, without being duped.*

### **3) THE LINES:**

*Nine at the beginning means:*

*Darkening of the light during flight.*

*He lowers his wings.*

*The superior man does not eat for three days*

*On his wanderings.*

*But he has somewhere to go.*

*The host has occasion to gossip about him*

*With grandiose resolve a man endeavors to soar above all obstacles, but thus encounters a hostile fate. He retreats and evades the issue. The time is difficult. Without rest, he must hurry along, with no permanent abiding place. If he does not want to make compromises within himself, but insists on remaining true to his principles, he suffers deprivation. Nevertheless he has a fixed goal to strive for, even though the people with whom he lives do not understand him and speak ill of him.*

*Nine in the third place means:*

*Darkening of the light during the hunt in the south.*

*Their great leader is captured.*

*One must not expect perseverance too soon.*

*It seems as if chance were at work. While the strong, loyal man is striving eagerly and in good faith to create order, he meets the ringleader of the disorder, as if by accident, and seizes him. Thus victory is achieved. But in abolishing abuses one must not be too hasty. This would turn out badly because the abuses have been in existence so long.*

*Six in the fourth place means:*

*He penetrates the left side of the belly.*

*One gets at the very heart of the darkening of the light,*

*And leaves gate and courtyard.*

*We find ourselves close to the commander of darkness and so discover his most secret thoughts. In this way we realize that there is no longer any hope of improvement, and thus we are enabled to leave the scene of disaster before the storm breaks.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 16 – Yu - Enthusiasm*

*The strong line in the fourth place, that of the leading official, meets with response and obedience from all the other lines, which are all weak. The attribute of the upper trigram, Chen, is movement; the attributes of K'un, the lower, are obedience and devotion. This begins a*

*movement that meets with devotion and therefore inspires enthusiasm, carrying all with it. Of great importance, furthermore, is the law of movement along the line of least resistance, which in this hexagram is enunciated as the law for natural events and for human life.*

## THE JUDGMENT

### ENTHUSIASM.

*It furthers one to install helpers  
And to set armies marching.*

*The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead. The inviolability of natural laws rests on this principle of movement along the line of least resistance. These laws are not forces external to things but represent the harmony of movement immanent in them. That is why the celestial bodies do not deviate from their orbits and why all events in nature occur with fixed regularity. It is the same with human society: only such laws as are rooted in popular sentiment can be enforced, while laws violating this sentiment merely arouse resentment.*

*Again, it is enthusiasm that enables us to install helpers for the completion of an undertaking without fear of secret opposition. It is enthusiasm too that can unify mass movements, as in war, so that they achieve victory.*

## THE IMAGE

*Thunder comes resounding out of the earth: The image of ENTHUSIASM.  
Thus the ancient kings made music In order to honor merit,  
And offered it with splendor  
To the Supreme Deity,  
Inviting their ancestors to be present.*

*When, at the beginning of summer, thunder - electrical energy - comes rushing forth from the earth again, and the first thunderstorm refreshes nature, a prolonged state of tension is resolved. Joy and relief make themselves felt. So too, music has power to ease tension within the heart and to loosen the grip of obscure emotions. The enthusiasm of the heart expresses itself involuntarily in a burst of song, in dance and rhythmic movement of the body. From immemorial times the inspiring effect of the invisible sound that moves all hearts, and draws them together, has mystified mankind.*

*Rulers have made use of this natural taste for music; they elevated and regulated it. Music was looked upon as something serious and holy, designed to purify the feelings of men. It fell to music to glorify the virtues of heroes and thus to construct a bridge to the world of the unseen. In the temple men drew near to God with music and pantomimes (out of this later the theater developed). Religious feeling for the Creator of the world was united with the most sacred of human feelings, that of reverence for the ancestors. The ancestors were invited to these divine services as guests of the Ruler of Heaven and as representatives of humanity in the higher regions. This uniting of the human past with the Divinity in solemn moments of religious inspiration established the bond between God and man. The ruler who revered the Divinity in*

*revering his ancestors became thereby the Son of Heaven, in whom the heavenly and the earthly world met in mystical contact. These ideas are the final summation of Chinese culture.*

*Confucius has said of the great sacrifice at which these rites were performed:  
"He who could wholly comprehend this sacrifice could rule the world as though it were spinning on his hand."*

## **37 THE FAMILY**

### **MANAGERIAL ISSUE:**

The CEO – managing the corporate Family.

Hexagram 37 represents the corporation as a family, where everyone has its place, where harmony exists only if everyone plays his role. Such is the corporation where the CEO as the father figure must be a strong leader, where other executives must be as the sons and daughters who are respectful of each other and particularly respectful of the father or CEO.

If everything is in harmony within the relations of the corporate family then everything will be in harmony within the corporation. Indeed, if the CEO is the husband and the employees the wife, then it is crucial for the two to live in harmony. The employees should show loyalty to the CEO and the CEO respect and consideration for the employees.

### **MANAGERIAL LESSON:**

The Superior CEO encourages the development of three crucial feelings that must exist between the CEO and the employees for a corporation to be successful.

These are:

- Appreciation,
- Loyalty, and
- Respect

Nothing could destroy a corporation faster than lack of appreciation, loyalty or respect for each other. As long as these feelings are present because the Superior CEO encourages them, the corporation will be successful.

The Superior CEO studies and understands:

- 1) The good father figure who knows:
  - a. That it does not matter what he says or tells his children to do, in the end his children will do as he does and not as he says.
  - b. That to speak little and to the point is not as important as his actions.

The Superior CEO is a man of integrity. He thinks, speaks and acts as one. He walks the talk.

- 2) The family where:
  - a. Moral values are first learned and
  - b. From there are *“widened to include human relationships in general.”*

While the Superior CEO represents and imitates the good father figure, the corporation represents and imitates the family.

## **INVESTMENT ADVICE:**

For the investor, the Family Time-Space is a favorable time to invest.

By itself (no lines) it is positive because the CEO as the father figure has the possibility of holding the corporation together in correctness.

### *THE FAMILY*

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.*

*Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.*

There are 5 Good Fortune possibilities in the lines 2,3,4,5 and 6.

The following cases are those of corporations under the Family Time-Space:

- **Google Inc. GOOG under CEO Larry Page**
- **Pfizer Inc. PFE under CEO Ian C. Read**

(Read at end of the Hexagram).

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – establishing its structure.

**Managerial Lesson:** Be just.

**Managerial Warning:** At the first stage of the Family Time-Space, the CEO must bring order to the corporation from the very beginning or face chaos. Once the employees get accustomed to lack of discipline, it is very difficult to bring them back in line.

**Managerial Advice:** The Superior CEO is balanced when establishing order right from the very beginning. On the one hand, he makes sure every employee has a specific and well-defined job with clear responsibilities and clear reporting lines. And on the other hand, he allows for sufficient flexibility for each employee to execute his job so as not to stifle creativity.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – ensuring leadership.

**Managerial Lesson:** Be dutiful.

**Managerial Warning:** At the second stage of the Family Time-Space, the CEO must realize that the employees can never be left without a leader. Regardless of the circumstances, there must at all times be someone in charge, whether it is the CEO, an assistant to the CEO or even a temporary CEO.

**Managerial Advice:** The Superior CEO leads by example and not by force. He makes sure that whoever is the leader at any particular moment must not appeal to force to lead the corporation. The employees, as the YIN principle, must be influenced or courted (Hexagram 31), but never forced to do anything.

**Investment Advice:** Invest. It is not the best of alternatives.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – imparting discipline.

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the third stage of the Family Time-Space, the CEO must achieve a proper balance in managing the employees. He may neither be too soft nor too hard. He may neither be too hard with the punishments nor too exaggerated with the rewards.

**Managerial Advice:** The Superior CEO first sets the rules (framework) and then gives the employees enough freedom to act within those rules; however, he never hesitates to apply strong punishment, even if at times draconian, to make sure everyone obeys the rules. When it comes to maintaining discipline, he knows it is better to be excessive in punishment than too indulgent and generous in the rewards.

**Investment Advice:** Invest. There are better alternatives.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – balancing the budget.

**Managerial Lesson:** Be frugal.

**Managerial Warning:** At the fourth stage of the Family Time-Space, the CEO must choose a key CFO or trusted financial advisor whose role will be key in the well-being of the corporation.

**Managerial Advice:** The Superior CEO knows the CFO's role is fundamental in the success of the corporation. A good CFO can eliminate waste and reduce financial expenses.

**Investment Advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – his role as a father figure.

**Managerial Lesson:** Be fatherly.

**Managerial Warning:** At the fifth stage of the Family Time-Space, the CEO must imitate the father figure.

**Managerial Advice:** the Superior CEO acts out of love rather than fear when playing the role of the father figure. His character and personality will draw the employees to him out of love, respect and admiration, rather than fear.

**Investment Advice:** Invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporate Family – his role as the one ultimately responsible for the corporation.



**Managerial Lesson:** Be responsible.

**Managerial Warning:** At the sixth stage of the Family Time-Space, the CEO must realize that the ultimate responsibility for the success of the corporation rests squarely on the CEO and on the CEO alone. The buck stops with him.

**Managerial Advice:** The Superior CEO knows that at times, the only thing needed is his force of character and his benevolent personality to bring success to the corporation. By combining good words with good deeds, the CEO will lead the corporation to its inevitable success.

**Investment Advice:** Invest.

## **MANAGERIAL CASES**

### **Google Inc. GOOG under CEO Larry Page**

Larry Page became CEO of Google in April of 2010. It is too early to measure his performance. What is important is that his Hexagram and his lines are positive. In particular the fifth line which is very auspicious.

#### **Points the investor should consider:**

##### **1) THE HEXAGRAM**

*HEXAGRAM 37 - Chia Jen - The Family (The Clan)*

*This hexagram represents the laws obtaining within the family. The strong line at the top represents the father, the lowest the son. The strong, line in the fifth place represents the husband, the yielding second line the wife. On the other hand, the two strong lines in the fifth and the third place represent two brothers, and the two weak lines correlated with them in the fourth and the second place stand for their respective wives. Thus all the connections and relationships within the family find their appropriate expression. Each individual line has the character according with its place. The fact that a strong line occupies the sixth place -where a weak line might be expected - indicates very clearly the strong leadership that must come from the head of the family. The line is to be considered here not in its quality as the sixth but in its quality as the top line. THE FAMILY shows the laws operative within the household that, transferred to outside life, keep the state and the world in order. The influence that goes out from within the family is represented by the symbol of the wind created by fire.*

*THE JUDGMENT*

## THE FAMILY

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.*

*Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.*

### 2) THE ADVICE

*Wind comes forth from fire: The image Of THE FAMILY.  
Thus the superior man has substance in his words  
And duration in his way of life.*

*Heat creates energy: this is signified by the wind stirred up by the fire and issuing forth from it. This represents influence working from within outward. The same thing is needed in the regulation of the family. Here too the influence on others must proceed from one's own person. In order to be capable of producing such an influence, one's words must have power, and this they can have only if they are based on something real, just as flame depends on its fuel. Words have influence only when they are pertinent and clearly related to definite circumstances. General discourses and admonitions have no effect whatsoever. Furthermore, the words must be supported by one's entire conduct, just as the wind is made effective by its duration. Only firm and consistent conduct will make such an impression on others that they can adapt and conform to it. If words and conduct are not in accord and not consistent, they will have no effect.*

### 3) THE LINES:

*Nine at the beginning means:  
Firm seclusion within the family.  
Remorse disappears.*

*The family must form a well-defined unit within which each member knows his place. From the beginning each child must be accustomed to firmly established rules of order, before ever its will is directed to other things. If we begin too late to enforce order, when the will of the child has*

already been overindulged, the whims and passions, grown stronger with the years, offer resistance and give cause for remorse. If we insist on order from the outset, occasions for remorse may arise - in general social life these are unavoidable - but the remorse always disappears again, and everything rights itself. For there is nothing more easily avoided and more difficult to carry through than "breaking a child's will."

Nine in the fifth place means:

As a king he approaches his family.

Fear not.

Good fortune.

A king is the symbol of a fatherly man who is richly endowed in mind. He does nothing to make himself feared; on the contrary, the whole family can trust him, because love governs their intercourse. His character of itself exercises the right influence,

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 52 – Ken - Keeping Still, Mountain

The image of this hexagram is the mountain, the youngest son of heaven and earth. The male principle is at the top, because it strives upward by nature; the female principle is below, since the direction of its movement is downward. Thus there is rest because the movement has come to its normal end.

In its application to man, the hexagram turns upon the problem of achieving a quiet heart. It is very difficult to bring quiet to the heart. While Buddhism strives for rest through an ebbing away of all movement in nirvana, the Book of Changes holds that rest is merely a state of polarity that always posits movement as its complement. Possibly the words of the text embody directions for the practice of yoga.

THE JUDGMENT

KEEPING STILL.

Keeping his back still

So that he no longer feels his body.

He goes into his courtyard

And does not see his people.

No blame.

True quiet means keeping still when the time has come to keep still, and going forward when the time has come to go forward. In this way rest and movement are in agreement with the demands of the time, and thus there is light in life.

The hexagram signifies the end and the beginning of all movement. The back is named because in the back are located all the nerve fibers that mediate movement. If the movement of those spinal nerves is brought to a standstill, the ego, with its restlessness, disappears as it were. When a man has thus become calm, he may turn to the outside world. He no longer sees in it the struggle and tumult of individual beings, and therefore he has that true peace of

*mind which is needed for understanding the great laws of the universe and for action, in harmony with them. Whoever acts from these deep levels makes no mistakes.*

### *THE IMAGE*

*Mountains standing close together: The image of KEEPING STILL.  
Thus the superior man  
Does not permit his thoughts  
To go beyond his situation.*

*1The heart thinks constantly. This cannot be changed, but the movements of the heart - that is, a man's thoughts - should restrict themselves to the immediate situation. All thinking that goes beyond this only makes the heart sore.*

## **Pfizer Inc. PFE under CEO Ian C. Read**

Ian C. Read became CEO of Pfizer in December of 2010. It is too early to measure his performance. However, his Hexagram is positive.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. Therefore the Judgment becomes the focusing point.

### *THE JUDGMENT*

## THE FAMILY

*The perseverance of the woman furthers.*

*The foundation of the family is the relationship between husband and wife. The tie that holds the family together lies in the loyalty and perseverance of the wife. Her place is within (second line), while that of the husband is without (fifth line). It is in accord with the great laws of nature that husband and wife take their proper places. Within the family a strong authority is needed; this is represented by the parents. If the father is really a father and the son a son, if the elder brother fulfills his position, and the younger fulfills his, if the husband is really a husband and the wife a wife, then the family is in order. When the family is in order, all the social relationships of mankind will be in order.*

*Three of the five social relationships are to be found within the family - that between father and son, which is the relation of love, that between husband and wife, which is the relation of chaste conduct, and that between elder and younger brother, which is the relation of correctness. The loving reverence of the son is then carried over to the prince in the form of faithfulness to duty; the affection and correctness of behavior existing between the two brothers are extended to a friend in the form of loyalty, and to a person of superior rank in the form of deference. The family is society in embryo; it is the native soil on which performance of moral duty is made easy through natural affection, so that within a small circle a basis of moral practice is created, and this is later widened to include human relationships in general.*

## **38 THE OPPOSITION**

### **MANAGERIAL ISSUE:**

The CEO – managing opposing views within the corporation.

Hexagram 38 refers to a corporate Time-Space where management is divided into opposite forces with different points of view and strategies; some of which may be too wide to reconcile. Under these circumstances, no CEO can successfully execute any project.

### **MANAGERIAL LESSON:**

The Superior CEO:

- 1) Proceeds with much diplomacy so as not to widen these differences, welcomes any progress in reconciling these differences no matter how small, and does all he can to encourage harmony between these opposite forces. Because there is still a possibility of an improvement in earnings; the Superior CEO maintains a positive general attitude in this particular case because these opposite positions might still be reconcilable.
- 2) Realizes that opposition in itself is not necessarily destructive. He knows that In some cases, opposition may be destructive because it could end in irreconcilable differences between the parties and bring them to a final separation. But that in other cases, opposition may be constructive and could give birth to new ideas and projects, provided in the end the parties reconcile.
- 3) Is impartial and does not take sides with any of the opposite forces.
- 4) Is gentle in his efforts to reconcile these opposite forces.
- 5) Lowers the expectations. Expects few results during the Opposition Time-Space.
- 6) Keeps his sense of balance.
- 7) Creates an atmosphere of harmony. He knows that if the opposite forces were the result of corporate losses, a harmonious atmosphere could return the profitability to this corporation.

### **INVESTMENT ADVICE:**

For the investor, the OPPOSITION Time-Space is not a favorable time to invest. How could an Opposition Time Space be positive for investors?

By itself (no lines) there is still the possibility of success provided the CEO limits himself to small projects.

#### **OPPOSITION.**

*In small matters, good fortune.*

*When people live in opposition and estrangement they cannot carry out a great undertaking in common; their points of view diverge too widely. In such circumstances one should above all not proceed brusquely, for that would only increase the existing opposition; instead, one should limit oneself to producing gradual effects in small matters. Here success can still be expected, because the situation is such that the opposition does not preclude all agreement.*

*In general, opposition appears as an obstruction, but when it represents polarity within a comprehensive whole, it has also its useful and important functions. The oppositions of heaven and earth, spirit and nature, man and woman, when reconciled, bring about the creation and reproduction of life. In the world of visible things, the principle of opposites makes possible the differentiation by categories through which order is brought into the world.*

There is only one Good Fortune possibility in line 6 but it is too complicated. It is best to look for a better investment.

The following cases are those of corporations under the Opposition Time-Space:

- **Nokia Corporation NOK under CEO Stephen Elop**
- **Motorola Solutions Inc. MSI under CEO Greg Brown**
- **Bed Bath & Beyond, Inc. BBY under CEO Steven H. Temares**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation – the beginning of the Opposition.

**Managerial lesson:** Be patient.

**Managerial Warning:** At the first stage of the Opposition Time-Space, the CEO must concentrate on not making mistakes by:

- Refraining from too much activity,
- Focusing on keeping the right attitude, and
- Tolerating all differences to avoid confrontations.

**Managerial Advice:** The Superior CEO is patient and waits until the differences disappear. He never imposes unity by force, as he knows force is not the TAO when reconciling opposing points of view. He lets the opposite forces wear out until they come to their senses on their own. He applies this same attitude to those who:

- Belong to the CEO's inner circle,
- Are in disagreement with him,
- Attempt to launch a takeover against it.

**Investment advice:** Don't invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation – reconciling opposing groups with common goals.

**Managerial Lesson:** Be conciliatory.

**Managerial Warning:** At the second stage of the Opposition Time-Space, the CEO must reconcile groups that may share a common goal but their views are so opposite it may be impossible to bring them together. The managers who are already divided into two opposite forces might be unwilling to even partially agree on any issue.

**Managerial Advice:** The Superior CEO aims to having these two parties come to at least a partial agreement by appealing to their self-interest - both groups have profits as their ultimate goal. He knows that when profits are the ultimate common goal between opposite parties and there are disagreements, even a minor agreement between these forces could be the beginning of an eventual understanding provided both parties show good intentions.

**Investment advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation - encountering strong Opposition.

**Managerial lesson:** Be united.

**Managerial Warning:** At the third stage of the Opposition Time-Space, the CEO not only encounters strong opposition but also receives insults and even injuries from the opposing forces.

**Managerial Advice:** The Superior CEO does not allow emotions to cloud his judgment. He takes nothing personal. He knows that if he keeps close to those executives who are of proven merit, he will eventually be successful. Things will certainly improve.

**Investment advice:** Invest. Do not expect much. It is best to look for better alternatives.



## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation – finding himself completely isolated by opposite forces.

**Managerial lesson:** Be inclusive.

**Managerial Warning:** At the fourth stage of the Opposition Time-Space, the CEO finds himself in a company of managers from whom he is separated by opposite views and becomes isolated.

**Managerial Advice:** The Superior CEO will overcome the isolation and override any temporary opposition:

- In the case of his own personal condition, he will find an executive he can trust, someone who agrees with his views both in mind and spirit.
- In the case of the corporate condition (a weak corporation), he will look for a strong corporate partner, one that is in the same business and has the same views on business.

**Investment advice:** Do not invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation – finding an able assistant in the midst of Opposition.

**Managerial lesson:** Be receptive.

**Managerial Warning:** At the fifth stage of the Opposition Time-Space, the CEO meets an executive who agrees with his views and holds the same values. Unfortunately, at first the CEO fails to recognize him even though eventually he will because this executive will do everything within his power to approach the CEO.

**Managerial Advice:** The Superior CEO is open and fair. He rewards tenacity.

- In the case of his own personal condition, he accepts the executive who wants to approach him whether he is coming from within or without the corporation. He views such executive as a strategic ally and a good future partner because their views are compatible.
- In the case of the corporation, he accepts the corporation that wants to merge. He views such corporation as a strategic ally and a good future partner because their businesses are compatible.

**Investment advice:** Do not invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing opposing views within the corporation – the turning point.

**Managerial lesson:** Be impassive.

**Managerial Warning:** At the sixth stage of the Opposition Time-Space, the CEO finds the corporation's spirits at its worse point. There is animosity and division within the ranks. The situation is such that the CEO has allowed his personal feelings to influence his actions. He has practically developed a hatred for everyone in the corporation.

**Managerial Advice:** The Superior CEO is unemotional in his decision making process. He quickly admits his mistake and realizes that in this particular case, there might be disagreements but also the best intentions. He knows that an understanding attitude will create a better atmosphere.

In any event, this would seem to be the turning point. The opposition between the parties is diminishing. From now on, there will be unity, reconciliation, and harmony within the ranks. Success is in the future. The corporation is about to turn around.

**Investment advice:** Invest. Be patient. This is a turning point for the corporation.

## MANAGERIAL CASES

### **Nokia Corporation NOK under CEO Stephen Elop**

Stephen Elop's Performance:	ROI= (33.48%)	Annualized Return= (33.78%)
SPY's Performance:	ROI= 8.77%	Annualized Return= 8.87%

Stephen Elop became CEO of Nokia in September of 2010. It is relatively too early to comment on his performance. However, based on a comparison with the SPY's performance, it is becoming evident that Nokia is suffering from its own internal Opposition and that Elop is having quite a difficult time in managing it.

What is interesting is the comment in the second line:

*One meets his lord in a narrow street.*

Could it be Microsoft?

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 38 - K'uei - Opposition*

*This hexagram is composed of the trigram Li above, i.e., flame, which burns upward, and Tui below, i.e., the lake, which seeps downward. These two movements are in direct contrast. Furthermore, Li is the second daughter and Tui the youngest daughter, and although they live in*

*the same house they belong, to different men; hence their wills are not the same but are divergently directed.*

## THE JUDGMENT

### OPPOSITION.

*In small matters, good fortune.*

*When people live in opposition and estrangement they cannot carry out a great undertaking in common; their points of view diverge too widely. In such circumstances one should above all not proceed brusquely, for that would only increase the existing opposition; instead, one should limit oneself to producing gradual effects in small matters. Here success can still be expected, because the situation is such that the opposition does not preclude all agreement.*

*In general, opposition appears as an obstruction, but when it represents polarity within a comprehensive whole, it has also its useful and important functions. The oppositions of heaven and earth, spirit and nature, man and woman, when reconciled, bring about the creation and reproduction of life. In the world of visible things, the principle of opposites makes possible the differentiation by categories through which order is brought into the world.*

## 2) THE ADVICE

*Above, fire, below, the lake: The image of OPPOSITION.*

*Thus amid all fellowship*

*The superior man retains his individuality.*

*The two elements, fire and water, never mingle but even when in contact retain their own natures. So the cultured man is never led into baseness or vulgarity through intercourse or community of interests with persons of another sort; regardless of all commingling, he will always preserve his individuality.*

## 3) THE LINES:

*0 Nine in the second place means:*

*One meets his lord in a narrow street.*

*No blame.*

*As a result of misunderstandings, it has become impossible for people who by nature belong together to meet in the correct way. This being so, an accidental meeting under informal circumstances may serve the purpose, provided there is an inner affinity between them.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 21 - Shih Ho - Biting Through*

*This hexagram represents an open mouth (cf. hexagram 27) with an obstruction (in the fourth place) between the teeth. As a result the lips cannot meet. To bring them together one must*

*bite energetically through the obstacle. Since the hexagram is made up of the trigrams for thunder and for lightning, it indicates how obstacles are forcibly removed in nature. Energetic biting through overcomes the obstacle that prevents joining of the lips; the storm with its thunder and lightning overcomes the disturbing tension in nature. Recourse to law and penalties overcomes the disturbances of harmonious social life caused by criminals and slanderers. The theme of this hexagram is a criminal lawsuit, in contradistinction to that of Sung, CONFLICT (6), which refers to civil suits.*

## THE JUDGMENT

*BITING THROUGH has success.  
It is favorable to let justice be administered.*

*When an obstacle to union arises, energetic biting through brings success. This is true in all situations. Whenever unity cannot be established, the obstruction is due to a talebearer and traitor who is interfering and blocking the way. To prevent permanent injury, vigorous measures must be taken at once. Deliberate obstruction of this sort does not vanish of its own accord. Judgment and punishment are required to deter or obviate it.*

*However, it is important to proceed in the right way. The hexagram combines Li, clarity, and Chen, excitement. Li is yielding, Chen is hard. Unqualified hardness and excitement would be too violent in meting out punishment; unqualified clarity and gentleness would be too weak. The two together create the just measure. It is of moment that the man who makes the decisions (represented by the fifth line) is gentle by nature, while he commands respect by his conduct in his position.*

## THE IMAGE

*Thunder and lightning: The image Of BITING THROUGH.  
Thus the kings of former times made firm the laws  
Through clearly defined penalties.*

*Penalties are the individual applications of the law. The laws specify the penalties. Clarity prevails when mild and severe penalties are clearly differentiated, according to the nature of the crimes. This is symbolized by the clarity of lightning. The law is strengthened by a just application of penalties. This is symbolized by the terror of thunder. This clarity and severity have the effect of instilling respect; it is not that the penalties are ends in themselves. The obstructions in the social life of man increase when there is lack of clarity in the penal codes and slackness in executing them. The only way to strengthen the law is to make it clear and to make penalties certain and swift.*

## Motorola Solutions Inc. MSI under CEO Greg Brown

Greg Brown's Performance:	ROI= (32.57%)	Annualized Return= (10.26%)
SPY's Performance:	ROI= (15.82%)	Annualized Return= ( 4.62%)

Greg Brown became CEO of Motorola Solutions (Motorola) in January 2008. Since then, his performance compared to the SPY's has been very poor. Here also, as in the case of Nokia, it is becoming evident that Motorola Solutions is suffering from its own internal opposition and that Brown is having quite a difficult time in managing it.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*0 Nine in the second place means:  
One meets his lord in a narrow street.  
No blame.*

*As a result of misunderstandings, it has become impossible for people who by nature belong together to meet in the correct way. This being so, an accidental meeting under informal circumstances may serve the purpose, provided there is an inner affinity between them.*

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*This hexagram represents an open mouth (cf. hexagram 27) with an obstruction (in the fourth place) between the teeth. As a result the lips cannot meet. To bring them together one must bite energetically through the obstacle. Since the hexagram is made up of the trigrams for thunder and for lightning, it indicates how obstacles are forcibly removed in nature. Energetic biting through overcomes the obstacle that prevents joining of the lips; the storm with its thunder and lightning overcomes the disturbing tension in nature. Recourse to law and penalties overcomes the disturbances of harmonious social life caused by criminals and slanderers. The theme of this hexagram is a criminal lawsuit, in contradistinction to that of Sung, CONFLICT (6), which refers to civil suits.*

## THE JUDGMENT

*BITING THROUGH has success.  
It is favorable to let justice be administered.*

*When an obstacle to union arises, energetic biting through brings success. This is true in all situations. Whenever unity cannot be established, the obstruction is due to a talebearer and traitor who is interfering and blocking the way. To prevent permanent injury, vigorous measures must be taken at once. Deliberate obstruction of this sort does not vanish of its own accord. Judgment and punishment are required to deter or obviate it.*

*However, it is important to proceed in the right way. The hexagram combines Li, clarity, and Chen, excitement. Li is yielding, Chen is hard. Unqualified hardness and excitement would be too violent in meting out punishment; unqualified clarity and gentleness would be too weak. The two together create the just measure. It is of moment that the man who makes the decisions (represented by the fifth line) is gentle by nature, while he commands respect by his conduct in his position.*

## THE IMAGE

*Thunder and lightning: The image Of BITING THROUGH.  
Thus the kings of former times made firm the laws  
Through clearly defined penalties.*

*Penalties are the individual applications of the law. The laws specify the penalties. Clarity prevails when mild and severe penalties are clearly differentiated, according to the nature of the crimes. This is symbolized by the clarity of lightning. The law is strengthened by a just application of penalties. This is symbolized by the terror of thunder. This clarity and severity have the effect of instilling respect; it is not that the penalties are ends in themselves. The obstructions in the social life of man increase when there is lack of clarity in the penal codes and slackness in executing them. The only way to strengthen the law is to make it clear and to make penalties certain and swift.*

## **Bed Bath & Beyond, Inc. BBBY under CEO Steven H. Temares**

Steven Temares's Performance:	ROI= 49.96%	Annualized Return= 4.80%
SPY's Performance:	ROI= 26.77%	Annualized Return= 2.78%

Steven Temares became CEO of Bed, Bath & Beyond in January 2003.. Since then, his performance compared to the SPY's has been positive.

However, as he faces the future (2011 on) , it will be interesting to see how he manages the Opposition Time-Space BBBY is moving into.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Six in the third place means:*

*One sees the wagon dragged back,*

*The oxen halted.*

*A man's hair and nose cut off.*

*Not a good beginning, but a good end.*

*Often it seems to a man as though everything were conspiring against him. He sees himself checked and hindered in his progress, insulted and dishonored.<sup>1</sup> However, he must not let himself be misled; despite this opposition, he must cleave to the man with whom he knows he belongs. Thus, notwithstanding the bad beginning, the matter will end well.*

*1. Cutting off of the hair and nose was a severe and degrading punishment.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 14 - Ta Yu - Possession in Great Measure*

*The fire in heaven above shines far, and all things stand out in the light and become, manifest. The weak fifth line occupies the place of honor, and all the strong lines are in accord with it.*

*All things come to the man who is modest and kind in a high position.*

*THE JUDGMENT*

*POSSESSION IN GREAT MEASURE.*

*Supreme success.*

*The two trigrams indicate that strength and clarity unite. Possession in great measure is determined by fate and accords with the time. How is it possible that the weak line has power to hold the strong lines fast and to possess them? It is done by virtue of unselfish modesty. The time is favorable - a time of strength within, clarity and culture without. Power is expressing itself in a graceful and controlled way. This brings supreme success and wealth. <sup>2</sup>*

## THE IMAGE

*Fire in heaven above: The image of POSSESSION IN GREAT MEASURE .  
Thus the superior man curbs evil and furthers good,  
And thereby obeys the benevolent will of heaven.*

*The sun in heaven above, shedding light over everything on earth, is the image of possession on a grand scale. But a possession of this sort must be administered properly. The sun brings both evil and good into the light of day. Man must combat and curb the evil, and must favor and promote the good. Only in this way does he fulfill the benevolent will of God, who desires only good and not evil.*



## **39 OBSTRUCTION**

### **MANAGERIAL ISSUE:**

The CEO – managing Obstruction.

Hexagram 39 refers to a corporate Time-Space where the corporation is obstructed by obstacles, particularly by two: an insurmountable mountain behind and a wide abyss in front (between a rock and a hard place). These obstacles place the corporation in danger which will appear in time; however the good news is the corporation can overcome them.

The Hexagram is about overcoming Obstructions.

### **MANAGERIAL LESSON:**

The Superior CEO, to overcome the Obstruction must:

- 1) Remain quiet like the mountain.
- 2) View these times as times to retreat rather than to advance. The Superior CEO knows that when he faces impediments he cannot overcome directly by a frontal attack, it is wise, to stop any aggressive action and withdraw to a safe position.
- 3) Look for men who hold similar views of retreating to a safer position, and place them under the leadership of a highly ethical and capable manager.
- 4) Persevere in maintaining this policy. This perseverance will make the corporation profitable and will strengthen his character as a CEO.
- 5) Look for errors both within himself as well as within the corporation, and correct them quickly. He must not look for errors outside the corporation neither should he look to blame someone else.
- 6) Learn from the lesson. Temporary Obstructions are excellent for self-development for only when managing under the Obstruction Time-Space does a CEO learn the value of adversity (Obstruction).

### **INVESTMENT ADVICE:**

For the investor, the Obstruction is not a favorable Time-Space to invest. How could an Obstruction Time Space be positive for investors?

By itself (no lines) there is the possibility of success provided the CEO pauses and retreats. But why would an investor want to invest under those circumstances?

#### **OBSTRUCCION.**

*The southwest furthers.*

*The northeast does not further.*

*It furthers one to see the great man.*

*Perseverance brings good fortune.*

*The southwest is the region of retreat, the northeast that of advance. Here an individual is confronted by obstacles that cannot be overcome directly. In such a situation it is wise to pause in view of the danger and to retreat. However, this is merely a preparation for overcoming the obstructions. One must join forces with friends of like mind and put himself under the leadership of a man equal to the situation: then one will succeed in removing the obstacles. This requires the will to persevere just when one apparently must do something that leads away from his goal. This unswerving inner purpose brings good fortune in the end. An obstruction that lasts only for a time is useful for self-development. This is the value of adversity.*

There is a Great Good Fortune possibility in the sixth place but there are better alternatives.

The following cases are those of corporations under the Obstruction Time-Space:

- **Juniper Networks, Inc. JNPR under CEO Kevin Johnson**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing Obstruction – strategically withdrawing.

**Managerial Lesson:** Be strategic.

**Managerial Warning:** At the first stage of the Obstruction Time-Space, the CEO encounters Obstruction (dangers) for the first time and risks plunging into it.

**Managerial Advice:** The Superior CEO does not rush into danger. He thinks on how to overcome the Obstruction rather than rushing to confront a dangerous situation head on. He knows haste would only worsen the situation. The Superior CEO withdraws but not to give up the fight but rather to wait for a better moment when he can deal with the Obstruction. There is a time to fight and there is a time to wait. This is a time to wait.

**Investment Advice:** Do not invest

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing Obstruction – no way out but to fight.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the second stage of the Obstruction Time-Space, the CEO is forced to meet the Obstruction head on.

**Managerial Advice:** The Superior CEO knows that even though it is always a good policy to avoid open confrontations, in this particular case it is best to confront the obstructions rather than withdraw from them, even if the obstructions turn out for the worst. He knows this is especially the case when it is a worthy cause or when it represents a high ideal. The Superior CEO acts with complete confidence because his sense of duty demands it and because the Obstruction Time-Space was forced upon him.

**Investment Advice:** Do not invest.

## **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing Obstruction – acting responsibly to help those who cannot overcome the Obstruction.

**Managerial Lesson:** Be responsible.

**Managerial Warning:** At the third stage of the Obstruction Time-Space, the CEO must act as a father figure to help those who cannot help themselves.

**Managerial Advice:** The Superior CEO withdraws from any direct confrontation against those forces obstructing the corporation and returns to the fight at a more auspicious moment. He never confronts these obstructions directly because he could place in jeopardy the same people he wants to protect. That is, the Superior CEO keeps in mind at all times the corporation is his family, the workers are his children and he is the father who must protect them.

**Investment Advice:** Do not invest

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing Obstruction – joining forces to fight Obstruction.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the fourth stage of the Obstruction Time-Space, the CEO risks removing the Obstruction “*on his own strength and without the necessary preparations*”.

**Managerial Advice:** The Superior CEO is always thoroughly prepared. He never relies solely on his projections and possible scenarios because they might easily prove him wrong. Events

could easily turn out for the worst. He withdraws in the face of danger and gathers around him those employees on whom he can trust for when he is ready to deal with these obstructions in the future.

**Investment Advice:** Do not invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing Obstruction - at a time of emergency.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the fifth stage of the Obstruction Time-Space, the CEO finds himself “*called to help in an emergency*”.

**Managerial Advice:**

The Superior CEO has:

- The inner strength to withstand obstruction,
- The leadership qualities to draw men of merit around him, and
- Heaven’s mandate to deal with these obstructions.

The Superior CEO:

- Tackles the impediments head on because he has what it takes.
- Does not withdraw even in the face of great risks.
- Plans the strategies and assign the tasks.
- Acts resolutely to overcome the Obstruction.

**Investment Advice:** Do not invest

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing Obstruction - at a time of his retirement.

**Managerial Lesson:** Be unrelenting.

**Managerial Warning:** At the sixth stage of the Obstruction Time-Space, the CEO is close to retirement to enjoy the last years of his life and risks abandoning the corporation out of selfish motives.

**Managerial Advice:** The Superior CEO:

- Recognizes his first duty is to his corporation and its needs.
- Knows retirement is no longer an option to him.
- Takes charge of the corporation with all his strength.

- Applies his experience, inner strength and wisdom to create a great team to turn this corporation into a profitable operation once again.
- Views it as a mandate from Heaven to continue with his job.
- knows the mandate of Heaven will help him overcome the Obstruction.

**Investment Advice:** Invest. Look for better alternatives if possible.

## MANAGERIAL CASES

### Juniper Networks, Inc. JNPR under CEO Kevin Johnson

Kevin Johnson's Performance:	ROI= (13.33%)	Annualized Return= (4.67%)
SPY's Performance:	ROI= ( 1.77%)	Annualized Return= (0.59%)

Kevin Johnson became CEO of Juniper Networks in September 2008. Since then, his performance has been poor compared to the SPY's. There is a strong possibility that it will not get any better. It is very difficult to manage under the Obstruction Time-Space. As the line indicates, he needs *"to hold back for the time being and to gather together trustworthy companions who can be counted upon for help in overcoming the obstructions."*

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 39 – Chien - Obstruction*

*The hexagram pictures a dangerous abyss lying before us and a steep, inaccessible mountain rising behind us. We are surrounded by obstacles; at the same time, since the mountain has the attribute of keeping still, there is implicit a hint as to how we can extricate ourselves. The hexagram represents obstructions that appear in the course of time but that can and should be overcome. Therefore all the instruction given is directed to overcoming them.*

*THE JUDGMENT*

*OBSTRUCCION.*

*The southwest furthers.*

*The northeast does not further.*

*It furthers one to see the great man.*

*Perseverance brings good fortune.*

*The southwest is the region of retreat, the northeast that of advance. Here an individual is confronted by obstacles that cannot be overcome directly. In such a situation it is wise to pause in view of the danger and to retreat. However, this is merely a preparation for overcoming the obstructions. One must join forces with friends of like mind and put himself under the leadership of a man equal to the situation: then one will succeed in removing the obstacles. This requires the will to persevere just when one apparently must do something that leads away from his goal. This unswerving inner purpose brings good fortune in the end. An obstruction that lasts only for a time is useful for self-development. This is the value of adversity.*

## **2) THE ADVICE**

*Water on the mountain:  
The image of OBSTRUCTION.  
Thus the superior man turns his attention to himself  
And molds his character.*

*Difficulties and obstructions throw a man back upon himself. While the inferior man seeks to put the blame on other persons, bewailing his fate, the superior man seeks the error within himself, and through this introspection the external obstacle becomes for him an occasion for inner enrichment and education.*

## **3) THE LINES:**

*Six in the fourth place means:  
Going leads to obstructions,  
Coming leads to union.*

*This too describes a situation that cannot be managed single-handed. In such a case the direct way is not the shortest. If a person were to forge ahead on his own strength and without the necessary preparations, he would not find the support he needs and would realize too late that he has been mistaken in his calculations, inasmuch as the conditions on which he hoped he could rely would prove to be inadequate. In this case it is better, therefore, to hold back for the time being and to gather together trustworthy companions who can be counted upon for help in overcoming the obstructions.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 31 – Hsien - Influence ( Wooing)*

*The name of the hexagram means "universal," "general," and in a figurative sense "to influence," "to stimulate." The upper trigrams is Tui, the Joyous; the lower is Ken, Keeping Still. By its persistent, quiet influence, the lower, rigid trigram stimulates the upper, weak trigram, which responds to this stimulation cheerfully and joyously. Ken, the lower trigram, is the youngest son; the upper, Tui, is the youngest daughter. Thus the universal mutual attraction between the sexes is represented. In courtship, the masculine principle must seize the initiative and place itself below the feminine principle.*

*Just as the first part of book I begins with the hexagrams of heaven and earth, the foundations of all that exists, the second part begins with the hexagrams of courtship and marriage, the foundations of all social relationships.*

### *THE JUDGMENT*

*Influence.*

*Success.*

*Perseverance furthers.*

*To take a maiden to wife brings good fortune.*

*The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. By keeping still within while experiencing joy without, one can prevent the joy from going to excess and hold it within proper bounds. This is the meaning of the added admonition, "Perseverance furthers," for it is perseverance that makes the difference between seduction and courtship; in the latter the strong man takes a position inferior to that of the weak girl and shows consideration for her. This attraction between affinities is a general law of nature. Heaven and earth attract each other and thus all creatures come into being. Through such attraction the sage influences men's hearts, and thus the world attains peace. From the attractions they exert we can learn the nature of all beings in heaven and on earth.*

### *THE IMAGE*

*A lake on the mountain: The image of influence.*

*Thus the superior man encourages people to approach him*

*By his readiness to receive them.*

*A mountain with a lake on its summit is stimulated by the moisture from the lake. It has this advantage because its summit does not jut out as a peak but is sunken. The image counsels that the mind should be kept humble and free, so that it may remain receptive to good advice. People soon give up counseling a man who thinks that he knows everything better than anyone else.*

# **40 DELIVERANCE**

## **MANAGERIAL ISSUE:**

The CEO – managing to deliver the corporation from those elements (persons or circumstances) that have been opposing its progress.

### **The Deliverance Time-Space:**

- 1) Is the continuation of the previous Hexagram (39 Obstruction).
- 2) Represents the various stages of the liberation of the corporation's natural drive.
- 3) Points to times of:
  - a. Stimulation and growth,
  - b. Healing,
  - c. Encouragement rather than punishment,
  - d. Returning the status of the corporation to normal conditions,
  - e. Going back to business as usual.

The CEO's role is to prepare for the liberation of the corporation from all obstacles.

### **The two questions the CEO should ask are:**

- 1) How to manage the Deliverance? And
- 2) How to deal with those managers who created the Obstructions once the CEO has delivered the corporation from their negative policies?

### **The CEO must:**

- 1) Remove the corporation from danger,
- 2) Remove obstacles,
- 3) Solve difficulties as quickly as possible,
- 4) Not push on farther than necessary.

In general, Hexagram 40 indicates that all the elements point to the liberation of the corporation from all the obstacles and dangers impeding its progress. But it is only Deliverance from Obstruction, it is not Progress.



## **MANAGERIAL LESSON:**

### The Superior CEO:

- 1) Emphasizes the right attitude - humility, humility, and humility.
- 2) Avoids overshooting, over reaching.
- 3) Makes no plans he cannot execute or commitments he cannot deliver.
- 4) Goes back to normal conditions.
- 5) Forgets unintended mistakes.
- 6) Forgives all those who created the obstacles.
- 7) Breathes normally, like at the end of a storm where the air has finally cleared.

## **INVESTMENT ADVICE:**

For the investor, the DELIVERANCE Time-Space, is not necessarily a favorable time to invest. Deliverance from Obstruction is not Progress. To cease from doing evil is not necessarily the same as doing good.

By itself (no lies) the Deliverance Time-Space points to the possibility of success provided the CEO takes the corporation back to ordinary conditions as soon as possible.

### *DELIVERANCE.*

*The southwest furthers.*

*If there is no longer anything where one has to go,  
Return brings good fortune.*

*If there is still something where one has to go,  
Hastening brings good fortune.*

*This refers to a time in which tensions and complications begin to be eased. At such times we ought to make our way back to ordinary conditions as soon as possible; this is the meaning of "the southwest." These periods of sudden change have great importance. Just as rain relieves atmospheric tension, making all the buds burst open, so a time of deliverance from burdensome pressure has a liberating and stimulating effect on life. One thing is important, however: in such times we must not overdo our triumph. The point is not to push on farther than is necessary. Returning to the regular order of life as soon as deliverance is achieved brings good fortune. If there are any residual matters that ought to be attended to, it should be done as quickly as possible, so that a clean sweep is made and no retardation occur.*

However, there are possibilities in the second, fifth and perhaps in the sixth lines. All in all, it is best to look for better alternatives and let the corporation first Deliver itself from Obstructions and wait a few more years.

The following cases are those of corporations under the Deliverance Time-Space:

- **Research In Motion Ltd. RIMM under CEOs James Balsillie and Mike Lazaridis**
- **DIRECTV DTV under CEO Michael White**
- **Illumina Inc. ILMN under CEO Jay Flatley**
- **Cognizant Technology Solutions Corp. CTSH under CEO Francisco D'Souza**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO - managing the corporation's deliverance - charting a course of action after delivering the corporation from those who opposed its progress.

**Managerial Lesson:** Be steady.

**Managerial Warning:** At the first stage of the Deliverance Time-Space, the CEO finds that the Deliverance of the corporation from the Obstruction has already arrived.

**Managerial Advice:** The Superior CEO goes back to business as usual and holds a steady course. He knows this is the time to shut up, avoid finger pointing or looking for someone to blame. He dedicates himself to creating peaceful corporate conditions.

**Investment advice:** Do not invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to deliver the corporation - from those who oppose its natural drive.

**Managerial Lesson:** Be ruthless.

**Managerial Warning:** At the second stage of the Deliverance Time-Space, the CEO risks letting his personal feelings interfere with his sense of justice and performs an act of vengeance on the wrong people.

**Managerial Advice:** The Superior CEO is ruthless when eliminating all those managers who falsely praise him or who flatter him appealing to his vanity. He does it quickly and with a strong sense of justice. However, the Superior CEO is also balanced and knows punitive actions must be focused only on those who have created the obstruction. His main concern is on Delivering

the corporation from whatever is Obstructing its natural drive and sending a positive message to the employees in general, rather than punishing the guilty.

**Investment advice:** Invest. Invest in better alternatives if possible.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – delivering the corporation - from unnecessary assets.

**Managerial Lesson:** Be thrifty.

**Managerial Warning:** At the third stage of the Deliverance Time-Space, the CEO faces the possibility of an unsolicited takeover. This is because the CEO has successfully brought his corporation to a high position in the industry but now is bulging with unnecessary assets. Worst still, its efforts to acquire these unnecessary assets might have weakened it financially. Under these conditions the corporation would find it more difficult to stay on the top. Thus the risk that if he tries to put himself or the corporation at ease now that he is on top, he will only encourage competitors to try an unsolicited takeover.

**Managerial Advice:** The Superior CEO is always extremely careful when making sure the corporation keeps what it has already earned. He keeps his corporation lean so as not to attract unsolicited suitors. He establishes a strong team to strengthen the corporation and to avoid any takeover attempts from outsiders. By delivering or freeing the corporation from needless assets, the Superior CEO frees the corporation's creative forces.

**Investment advice:** Do not invest

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – delivering himself - from flattery and pride.

**Managerial Lesson:** Be free.

**Managerial Warning:** At the fourth stage of the Deliverance Time-Space, the CEO risks bonding with the wrong assistants. During the Obstruction, when he and his corporation face obstacles; it is easy for the less capable managers to praise him falsely and through flattery gain access to his close circle of advisors. Some might even become indispensable. Under such circumstances, how can the CEO liberate the corporation's natural drive for success?

**Managerial Advice:** The Superior CEO fires all those who:

- Have no affinity with him.
- Praise him falsely to gain his trust.
- Do not share the same values or high standards as he does.

In this way, he is able to convince those managers who share his values to return and join him in the corporation's management.

**Investment advice:** Do not invest

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – delivering the corporation - from those who oppose it – resolutely.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the fifth stage of the Deliverance Time-Space, the CEO faces the fact that those who are Obstructing the corporation will not go away easily. These are the kind of employees who will oppose any policy whether they are generated by the CEO or suggested by external advisory firms hired by the CEO.

**Managerial Advice:** The Superior CEO conquers himself. He changes his attitude and turns resolute in eliminating whoever Obstructs the corporation's progress. He knows such resolute attitude will send them a clear message that he no longer shares their points of view and that he wants them out. The Superior CEO recognizes when the issue is one of attitude.

**Investment advice:** Invest. Invest in better alternatives if possible.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – delivering the corporation - from the last bastion of Obstruction.

**Managerial Lesson:** Be confident.

**Managerial Warning:** At the sixth stage of the Deliverance Time-Space, the CEO must face a group of well-entrenched evil forces, specifically executives in undeservedly high positions.

**Managerial Advice:** The Superior CEO has the inner strength and confidence to justly carry out any punitive action. He first sets up the means and then forcefully uses those means to remove all evil forces from positions within the corporation.

**Investment advice:** Invest. Invest in better alternatives if possible.

## MANAGERIAL CASES

### **Research In Motion Ltd. RIMM under CEOs James Balsillie and Mike Lazaridis**

RIMM CEOs' Performance:	ROI= (47.72%)	Annualized Return= (58.53%)
SPY's Performance:	ROI= ( 1.61%)	Annualized Return= ( 2.17%)

James Balsillie and Mike Lazaridis (founders) became co-CEOs of Research in Motion in December of 2010. Since then, their performance has been absolutely dismal. The fact that they have no moving lines makes its future Time-Space even worst. They have not been able to find Deliverance from Obstructions.

The Oracle would probably disapprove of two CEOs running a corporation and perhaps the first thing to do is to name only one CEO. And then, have that CEO follow the Oracle's advice:

- To return to the previous conditions before the Obstructions took place.
- To Deliver the corporation from those Obstructions.
- To keep in mind that during the Deliverance Time-Space, the Superior CEO pardons mistakes and forgives misdeeds.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 40 – Hsieh - Deliverance*

*Here the movement goes out of the sphere of danger. The obstacle has been removed, the difficulties are being resolved. Deliverance is not yet achieved; it is just in its beginning, and the hexagram represents its various stages.*

*THE JUDGMENT*

*DELIVERANCE.*

*The southwest furthers.*

*If there is no longer anything where one has to go,*

*Return brings good fortune.*

*If there is still something where one has to go,*

*Hastening brings good fortune.*

*This refers to a time in which tensions and complications begin to be eased. At such times we ought to make our way back to ordinary conditions as soon as possible; this is the meaning of "the southwest." These periods of sudden change have great importance. Just as rain relieves*

*atmospheric tension, making all the buds burst open, so a time of deliverance from burdensome pressure has a liberating and stimulating effect on life. One thing is important, however: in such times we must not overdo our triumph. The point is not to push on farther than is necessary. Returning to the regular order of life as soon as deliverance is achieved brings good fortune. If there are any residual matters that ought to be attended to, it should be done as quickly as possible, so that a clean sweep is made and no retardation occur.*

## **2) THE ADVICE**

*Thunder and rain set in: The image of DELIVERANCE.  
Thus the superior man pardons mistakes  
And forgives misdeeds.*

*A thunderstorm has the effect of clearing the air; the superior man produces a similar effect when dealing with mistakes and sins of men that induce a condition of tension. Through clarity he brings deliverance. However, when failings come to light, he does not dwell on them; he simply passes over mistakes, the unintentional transgressions, just as thunder dies away. He forgives misdeeds, the intentional transgressions, just as water washes everything clean.*

## **3) THE LINES:**

There are no moving lines.

## **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment becomes the central point.

*THE JUDGMENT*

*DELIVERANCE.*

*The southwest furthers.  
If there is no longer anything where one has to go,  
Return brings good fortune.  
If there is still something where one has to go,  
Hastening brings good fortune.*

*This refers to a time in which tensions and complications begin to be eased. At such times we ought to make our way back to ordinary conditions as soon as possible; this is the meaning of "the southwest." These periods of sudden change have great importance. Just as rain relieves atmospheric tension, making all the buds burst open, so a time of deliverance from burdensome pressure has a liberating and stimulating effect on life. One thing is important, however: in such times we must not overdo our triumph. The point is not to push on farther than is necessary. Returning to the regular order of life as soon as deliverance is achieved brings good fortune. If there are any residual matters that ought to be attended to, it should be done as quickly as possible, so that a clean sweep is made and no retardation occur.*

## **DIRECTV DTV under CEO Michael White**

Michael White's Performance:	ROI= 30.32%	Annualized Return= 17.32%
SPY's Performance:	ROI= 8.07%	Annualized Return= 4.77%

Michael White became CEO of DIRECT TV in January 2010. Since then, his performance has been much better than the SPY's

However, the performance should worsen as the corporation enters into de Deliverance Time-Space.

Moving forward, the question is if he will **"encourage robbers to draw near"**?

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six in the third place means:*

*If a man carries a burden on his back  
And nonetheless rides in a carriage,  
He thereby encourages robbers to draw near.  
Perseverance leads to humiliation.*

*This refers to a man who has come out of needy circumstances into comfort and freedom from want. If now, in the manner of an upstart, he tries to take his ease in comfortable surroundings that do not suit his nature, he thereby attracts robbers. If he goes on thus he is sure to bring disgrace upon himself.*

*Confucius says about this line:*

*Carrying a burden on the back is the business of a common man; a carriage is the appurtenance of a man of rank. Now, when a common man uses the appurtenance of a man of rank, robbers plot to take it away from him. If a man is insolent toward those above him and hard toward those below him, robbers plot to attack him. Carelessness in guarding things tempts thieves to steal. Sumptuous ornaments worn by a maiden are an enticement to rob her of her virtue.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 32 – Heng - Duration

*The strong trigram Chen is above, the weak trigram Sun below. This hexagram is the inverse of the preceding one. In the latter we have influence, here we have union as an enduring condition. The two images are thunder and wind, which are likewise constantly paired phenomena. The lower trigram indicates gentleness within; the upper, movement without.*

*In the sphere of social relationships, the hexagram represents the institution of marriage as the enduring union of the sexes. During courtship the young man subordinates himself to the girl, but in marriage, which is represented by the coming together of the eldest son and the eldest daughter, the husband is the directing and moving force outside, while the wife, inside, is gentle and submissive.*

#### **THE JUDGMENT**

*DURATION. Success. No blame.  
Perseverance furthers.  
It furthers one to have somewhere to go.*

*Duration is a state whose movement is not worn down by hindrances. It is not a state of rest, for mere standstill is regression. Duration is rather the self-contained and therefore self-renewing movement of an organized, firmly integrated whole, taking place in accordance with immutable laws and beginning anew at every ending. The end is reached by an inward movement, by inhalation, systole, contraction, and this movement turns into a new beginning, in which the movement is directed outward, in exhalation, diastole, expansion.*

*Heavenly bodies exemplify duration. They move in their fixed orbits, and because of this their light-giving power endures. The seasons of the year follow a fixed law of change and transformation, hence can produce effects that endure.*

*So likewise the dedicated man embodies an enduring meaning in his way of life, and thereby the world is formed. In that which gives things their duration, we can come to understand the nature of all beings in heaven and on earth.*

#### **THE IMAGE**

*Thunder and wind: the image of DURATION.  
Thus the superior man stands firm  
And does not change his direction.*

*Thunder rolls, and the wind blows; both are examples of extreme mobility and so are seemingly the very opposite of duration, but the laws governing their appearance and subsidence, their coming and going, endure. In the same way the independence of the superior man is not based on rigidity and immobility of character. He always keeps abreast of the time and changes with it. What endures is the unswerving directive, the inner law of his being, which determines all his actions.*



## Illumina Inc. ILMN under CEO Jay Flatley

Jay Flatley's Performance:	ROI= 136.62%	Annualized Return= 8.08%
SPY's Performance:	ROI= ( 14.48%)	Annualized Return= (1.40%)

Jay Flatley became CEO of Illumina in October of 1999. Since then, and taking his performance from the beginning, he has outperformed the SPY's proving that in the past he has enjoyed the positive side of the cycles.

However, because he has been CEO for so long, we asked the Oracle once more about his future Time-Space. It is Deliverance.

The Oracle predicts that the in his new Time-Space of Deliverance, the CEO will encounter difficult conditions as evidenced by his performance from the beginning of 2011. If we compare it to the SPY's, it becomes evident that he is entering into a different Time-Space than the one he has experienced in the past.

Jay Flatley's Performance:	ROI= (20.05%)	Annualized Return= (28.53%)
SPY's Performance:	ROI= (3.75%)	Annualized Return= (5.62%)

He still can Deliver the corporation from the Obstructions and return to his previous performance provided he follows the advice in the line that applies to his Time-Space.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*0 Nine in the second place means:*

*One kills three foxes in the field*

*And receives a yellow arrow.*

*Perseverance brings good fortune.*

*The image is taken from the hunt. The hunter catches three cunning foxes and receives a yellow arrow as a reward. The obstacles in public life are the designing foxes who try to influence the ruler through flattery. They must be removed before there can be any deliverance. But the struggle must not be carried on with the wrong weapons. The yellow color points to measure and mean in proceeding against the enemy; the arrow signifies the straight course. If*

one devotes himself wholeheartedly to the task of deliverance, he develops so much inner strength from his rectitude that it acts as a weapon against all that is false and low.

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 16 – Yu - Enthusiasm

The strong line in the fourth place, that of the leading official, meets with response and obedience from all the other lines, which are all weak. The attribute of the upper trigram, Chen, is movement; the attributes of K'un, the lower, are obedience and devotion. This begins a movement that meets with devotion and therefore inspires enthusiasm, carrying all with it. Of great importance, furthermore, is the law of movement along the line of least resistance, which in this hexagram is enunciated as the law for natural events and for human life.

#### THE JUDGMENT

##### ENTHUSIASM.

*It furthers one to install helpers  
And to set armies marching.*

The time of ENTHUSIASM derives from the fact that there is at hand an eminent man who is in sympathy with the spirit of the people and acts in accord with it. Hence he finds universal and willing obedience. To arouse enthusiasm it is necessary for a man to adjust himself and his ordinances to the character of those whom he has to lead. The inviolability of natural laws rests on this principle of movement along the line of least resistance. These laws are not forces external to things but represent the harmony of movement immanent in them. That is why the celestial bodies do not deviate from their orbits and why all events in nature occur with fixed regularity. It is the same with human society: only such laws as are rooted in popular sentiment can be enforced, while laws violating this sentiment merely arouse resentment.

Again, it is enthusiasm that enables us to install helpers for the completion of an undertaking without fear of secret opposition. It is enthusiasm too that can unify mass movements, as in war, so that they achieve victory.

#### THE IMAGE

*Thunder comes resounding out of the earth: The image of ENTHUSIASM.  
Thus the ancient kings made music In order to honor merit,  
And offered it with splendor  
To the Supreme Deity,  
Inviting their ancestors to be present.*

When, at the beginning of summer, thunder - electrical energy - comes rushing forth from the earth again, and the first thunderstorm refreshes nature, a prolonged state of tension is resolved. Joy and relief make themselves felt. So too, music has power to ease tension within the heart and to loosen the grip of obscure emotions. The enthusiasm of the heart expresses itself involuntarily in a burst of song, in dance and rhythmic movement of the body. From

*immemorial times the inspiring effect of the invisible sound that moves all hearts, and draws them together, has mystified mankind.*

*Rulers have made use of this natural taste for music; they elevated and regulated it. Music was looked upon as something serious and holy, designed to purify the feelings of men. It fell to music to glorify the virtues of heroes and thus to construct a bridge to the world of the unseen. In the temple men drew near to God with music and pantomimes (out of this later the theater developed). Religious feeling for the Creator of the world was united with the most sacred of human feelings, that of reverence for the ancestors. The ancestors were invited to these divine services as guests of the Ruler of Heaven and as representatives of humanity in the higher regions. This uniting of the human past with the Divinity in solemn moments of religious inspiration established the bond between God and man. The ruler who revered the Divinity in revering his ancestors became thereby the Son of Heaven, in whom the heavenly and the earthly world met in mystical contact. These ideas are the final summation of Chinese culture.*

*Confucius has said of the great sacrifice at which these rites were performed:*

*"He who could wholly comprehend this sacrifice could rule the world as though it were spinning on his hand."*

## **Cognizant Technology Solutions Corp. CTSH under CEO Francisco D'Souza**

Francisco D'Souza's Performance:	ROI= 64.59%	Annualized Return= 11.27%
SPY's Performance:	ROI= (12.99%)	Annualized Return= (2.94%)

Francisco D'Souza became CEO of Cognizant Technology Solutions in January of 2007. Since then, his performance has been much better than the SPY's.

However, again, the Oracle predicts that in his new Time-Space of Deliverance, the CEO will encounter difficult conditions as evidenced by his performance from the beginning of 2011. If we compare it to the SPY's, it becomes evident that he is entering into a different Time-Space than the one he has experienced in the past.

Francisco D'Souza's Performance:	ROI= (15.02%)	Annualized Return= (21.94%)
SPY's Performance:	ROI= (3.75%)	Annualized Return= (5.62%)

He still can Deliver the corporation from Obstructions and return to his previous performance provided he follows the advice in the line that applies to his Time-Space.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

## **2) THE ADVICE**

(Same as Above).

## **3) THE LINES:**

Six at the top means:

*The prince shoots at a hawk on a high wall.*

*He kills it.*

*Everything serves to further.*

*The hawk on a high wall is the symbol of a powerful inferior in a high position who is hindering the deliverance. He withstands the force of inner influences, because he is hardened in his wickedness. He must be forcibly removed, and this requires appropriate means.*

*Confucius says about this line:*

*The hawk is the object of the hunt; bow and arrow are the tools and means. The marksman is man (who must make proper use of the means to his end). The superior man contains the means of his own person. He bides his time and then acts. Why then should not everything go well? He acts and is free. Therefore all he has to do is to go forth, and he takes his quarry. This is how a man fares who acts after he has made ready the means.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

### **THE JUDGMENT**

**BEFORE COMPLETION.**

*Success.*

*But if the little fox, after nearly completing the crossing,*

*Gets his tail in the water,*

*There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet*

*when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

### *THE IMAGE*

*Fire over water: The image of the condition before transition.  
Thus the superior man is careful  
In the differentiation of things,  
So that each finds its place.*

*When fire, which by nature flames upward, is above, and water, which flows downward, is below, their effects take opposite directions and remain unrelated. If we wish to achieve an effect, we must first investigate the nature of the forces in question and ascertain their proper place. If we can bring these forces to bear in the right place, they will have the desired effect, and completion will be achieved. But in order to handle external forces properly, we must above all arrive at the correct standpoint ourselves, for only from this vantage can we work correctly.*

# **41 DECREASE**

## **MANAGERIAL ISSUE:**

The CEO – managing the time for Decrease.

Hexagram 41 represents a Time-Space of:

- 1) A lack of balance in the overall corporate structure,
- 2) Instability - where the corporation has become an inverted pyramid which is top-heavy/weak-based or light at the bottom/heavy at the top,
- 3) “Poverty” where the CEO has to adjust the corporation by decreasing or shifting resources to rebalance the corporate assets or structure.

The Time-Space of the Decrease is a time for the CEO to:

- 1) Understand the Time of Decrease,
- 2) Not cover up “poverty” with empty pretense.
- 3) Be truthful about the actual Decrease corporate condition and accept it publicly,
- 4) Control his anger which is the result of his disappointment with the Decrease condition,
- 5) Implement programs based on simplicity – less costs, less expenses, less lavishness.
- 6) Strengthen the inner and weakens the outer – more moral and spiritual strength and less ornamental and superficial appearances,
- 7) Work on more product quality and less marketing,
- 8) Have faith the customers will support his efforts to manage the corporate Decrease provided the effort is sincere and the results become visible in the short term,
- 9) Decrease the negative, strengthens the positive,
- 10) Decrease expenses (particularly at the top) to save the corporation,
- 11) Decrease future grand projects and complete the ones in process.
- 12) Shift assets or resources from a profitable and well-run division, subsidiary or recently acquired corporation to the parent company; thus reducing the subsidiary’s managerial and financial power and increasing that of the parent company.

## **MANAGERIAL LESSON:**

### The Superior CEO:

- 1) Internalizes the Decrease. He:
  - a) Eliminates or weakens the lower aspects of himself such as, his material drives, anger, ambition, vanity and selfishness.
  - b) Strengthens the upper aspects of himself such as, his intellectual and spiritual capacity.
  - c) Patiently standstills and exercises his willpower and self-control.
  - d) Encourages the rest of the managers and employees to exercise this same attitude.
  
- 2) Accepts the Decrease Time-Space. He:
  - a) Views it as something natural, preordained and inevitable.
  - b) Will not resist it.
  - c) As examples of managing Decrease, he:
    - Could recognize this is a time for decreasing the power of the employees and increasing the power of management.
    - Could realize the corporation would be better off by adding to top management the best minds from the employees' ranks. This will strengthen the corporation considerably.
  
- 3) Keeps focused on the positive side of the "decrease". If we decrease the negative, we gain. If we take away the excess power given to a group, we gain in the balance, and if we decrease the expenditures, we increase our net profits.
  
- 4) Keeps the proper attitude – humility. In the case of a subsidiary-parent company relation, if his top managerial resources have weakened, he must look from within the subsidiaries, specifically from its pool of employees, to strengthen the parent company. If the CEO is humble and accepts this strategy, he will create the proper team to tackle the future. If on the contrary, the CEO proves arrogant, finds this idea too simple and elaborates a sophisticated plan to strengthen his own management without tapping the subsidiaries' or local corporate's resources; he will destroy the entire corporation.
  
- 5) Is sincere. In the case of a subsidiary-parent company relation, if he has to shift resources including the top leaders of the subsidiary to the top managerial position of the parent company, the Superior CEO does so only if he truly needs it and only if the individuals truly deserve it. In this way, the other employees of the subsidiary will perceive the changes as rewards and will look for future opportunities for themselves also. If on the contrary, the other employees of the subsidiary perceive the strategy as a political move to strengthen the parent corporation at the expense of the subsidiary, then the CEO would lose the respect of the subsidiary's employees.
  
- 6) Is balanced. In the case of a subsidiary, the idea is to manage a shift of resources from the subsidiary to the parent company in such a way as to avoid a standstill of the subsidiary. That is, the CEO must figure how to keep the subsidiary going in spite of its loss of resources.

## **INVESTMENT ADVICE:**

For the investor, the DECREASE Time Space tends to be positive. This is a time for Decreasing the corporation in all aspects but mainly in all that is negative, such as excessive expenses. Thus, the Decrease of the negative in a way is positive. **DECREASE combined with sincerity Brings about supreme good fortune** .

By itself (no lines) the Decrease Time-Space points to the possibility of success provided the CEO makes no pretense and does not try to hide the poverty (financial or otherwise) but rather does something to overcome it. Pericles comes to mind: “As for poverty, no one need be ashamed to admit it, the real shame is in not taking practical measures to escape from it”.

*DECREASE combined with sincerity  
Brings about supreme good fortune  
Without blame.*

*One may be persevering in this.  
It furthers one to undertake something.  
How is this to be carried out?  
One may use two small bowls for the sacrifice.*

*Decrease does not under all circumstances mean something bad. Increase and decrease come in their own time. What matters here is to understand the time and not to try to cover up poverty with empty pretense. If a time of scanty resource brings out an inner truth, one must not feel ashamed of simplicity. For simplicity is then the very thing needed to provide inner strength for further undertakings. Indeed, there need be no concern if the outward beauty of the civilization, even the elaboration of religious forms, should have to suffer because of simplicity. One must draw on the strength of the inner attitude to compensate for what is lacking in externals; then the power of the content makes up for the simplicity of form. There is no need of presenting false appearances to God. Even with slender means, the sentiment of the heart can be expressed.*

However, when lines appear, there are four lines which are not positive, one line (the fifth) which is excellent (Supreme Good Fortune) but it is Heaven sent and has not much to do with the CEO's abilities to manage the Decrease, and another (the sixth) which is also positive because of the CEOs correct attitude.

The following cases are those of corporations under the Decrease Time-Space:

- **AutoNation Inc. AN under CEO Michael J. Jackson**

(Read at the end of the Hexagram)



## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** THE CEO – managing Decrease - weighing on the size of the Decrease without doing harm.

**Managerial Lesson:** Be careful.

**Managerial Warning:** At the first stage of the Decrease Time-Space, the CEO must weigh how much to shift from the strong to help the weak without irreparably harming the strong. In the case of a subsidiary–parent corporation, the subsidiary has done an excellent job at running its own operations and meeting its goals on record time without seeking merits and yet the CEO must carry out the Decrease process without harming it – for the sake of the weak parent. The question is, how many resources should the CEO shift from the subsidiary to the parent without weakening the subsidiary too much?

**Managerial Advice:** The Superior CEO weighs carefully the shifting of resources. In the case of a subsidiary–parent corporation, he first consults with the subsidiary’s management to show his sensitivity towards their opinions. If the exchange between the subsidiary and the parent is open and candid, the CEO will know just how many resources to shift without damaging the overall corporate structure.

**Investment advice:** Do not invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing Decrease – qualifying the Decrease.

**Managerial Lesson:** Be sensitive.

**Managerial Warning:** At the second stage of the Decrease Time-Space, the CEO faces the risk of doing serious harm when managing the Decrease. In the case of a subsidiary–parent corporation, the CEO encounters a manager of a subsidiary who wants to preserve his resources, who rightly believes that to give them up would harm both the subsidiary as well as the parent company. This is a case of “helping yourself before you can think of helping others”.

**Managerial Advice:** The Superior CEO listens and understands. He knows self-preservation is important, that no one should self-destruct for the sake of another. In the case of the subsidiary–parent corporation, the Superior CEO accepts the position of the subsidiary’s manager because it is the right thing to do at this time. For the moment, there is nothing to gain by shifting the resources from the subsidiary to the parent. This forces the CEO to look for resources somewhere else without any guarantee that he will find them.

**Investment advice:** Do not invest.

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing Decrease – Decreasing the elements of the corporation.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the third stage of the Decrease Time-Space, the CEO must limit the number of elements (subsidiaries) within the corporation to improve the unity of the group.

**Managerial Advice:** The Superior CEO knows that too large a group of elements (subsidiaries) create jealousy amongst its managers; therefore, he Decreases them to the proper number so as to strengthen the unity of the corporation. In the case of the subsidiary–parent corporation, the Superior CEO, when shifting resources from the subsidiaries to the parent company, will preferably access the proper subsidiary only, rather than turning it into a contest with its inevitable rivalries among the managers of the various subsidiaries. In this way the merging of the resources will be faster and permanent

**Investment advice:** Do not invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing Decrease – Decreasing the corporation's faults by changing the environment, reallocating resources between the profitable subsidiary and the corrupt parent corporation

**Managerial lesson:** Be humble.

**Managerial Warning:** At the fourth stage of the Decrease Time-Space, the CEO risks losing the corporation's friends (subsidiaries) by keeping the status quo. In the case of the subsidiary–parent corporation, the CEO might need the resources of the subsidiary to strengthen the parent company which itself is corrupt, full of inept managers who practice the wrong managerial strategies. Even the CEO himself might be tainted by this managerial attitude. The CEO's dilemma lies in deciding what to do before transferring resources from the subsidiary and avoid running the risk those resources might be lost in the parent company.

**Managerial Advice:** The Superior CEO is humble and therefore he knows he must apply the Decrease to the top before he applies it to the bottom. In the case of the subsidiary–parent corporation, the Superior CEO first cleans up the parent company. He fires the inept managers and replaces them with the good managers from the subsidiary. He allows the implementation of the subsidiary's managerial style in the parent company once the CEO changes his working environment. Then and only then, does he transfer additional resources from the subsidiary to the parent company. Only then will the managers of the subsidiary be willing to come over because they will not feel threatened by the managers working for the parent company. The matching of the resources will be very profitable. The Superior CEO first empties the bottle of bad water to fill it up with fresh water.

**Investment advice:** Do not invest.

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing Decrease - at a time for fatefully ordained success – having the mandate of Heaven.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the fifth stage of the Decrease Time-Space, the CEO encounters a fortuitous scenario when fate will bring about success and nothing can oppose it.

**Managerial Advice:** The Superior CEO recognizes and gratefully accepts the mandate of Heaven. When he counts with the mandate of Heaven; he is fearless in the execution of the Decrease of the negative aspects of the corporation.

This operation will be very profitable for the entire corporation.

**Investment advice:** Invest all you can.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing Decrease – bringing benefit to everyone and harm to none.

**Managerial Lesson:** Be just.

**Managerial Warning:** At the sixth stage of the Decrease Time-Space, the CEO is blessed in that he can execute the Decrease and actually bring Increase to everyone. In the case of the subsidiary–parent corporation, the CEO transfers resources from the subsidiary to the parent without weakening the subsidiary, because the transfer is limited, and because the CEO has been very successful in turning the parent company more profitable.

**Managerial Advice:** The Superior CEO finds friends and helpers by perseverance and hard work. In the case of the subsidiary–parent corporation, the CEO returns the resources back from the parent to the subsidiary so that the subsidiary may improve its balance sheet once again. He also transfers resources to the other subsidiaries to strengthen the entire corporate structure.

Here, the I Ching shows the CEO some light at the end of the tunnel. The I Ching tells us that the corporation is at its lowest point. From now on it can only increase its earnings. The I Ching compares Hexagram 41 Decrease which is the moment of the lowest earnings of the corporation and from which it can only increase its earnings with the following Hexagram 42 Increase which is the moment of the highest earnings of the corporation and from which it can only decrease its earnings.

**Investment advice:** Invest

## MANAGERIAL CASES

### **AutoNation Inc. AN under CEO Michael J. Jackson**

Michael J. Jackson's Performance: ROI= 215.93%      Annualized Return= 10.05%  
SPY's Performance:                      ROI= ( 8.47%)      Annualized Return= ( 0.73%)

Michael J. Jackson became CEO of AutoNation in September of 1999. Since then he has outperformed the SPY. However, because he has been CEO for more than a decade we have to ask once more for the future time space of the corporation.

His new Time Space as of 2011 is the Decrease with no moving lines. Thus, the Judgment applies completely to his corporation.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 41 – Sun - Decrease*

*This hexagram represents a decrease of the lower trigram in favor of the upper, because the third line, originally strong, has moved up to the top, and the top line, originally weak, has replaced it. 1 What is below is decreased to the benefit of what is above. This is out-and-out decrease. If the foundations of a building are decreased in strength and the upper walls are strengthened, the whole structure loses its stability. Likewise, a decrease in the prosperity of the people in favor of the government is out-and-out decrease. And the entire theme of the hexagram is directed to showing how this shift of wealth can take place without causing the sources of wealth in the nation and its lower classes to fail.*

#### *THE JUDGMENT*

*DECREASE combined with sincerity  
Brings about supreme good fortune  
Without blame.  
One may be persevering in this.  
It furthers one to undertake something.  
How is this to be carried out?  
One may use two small bowls for the sacrifice.*

*Decrease does not under all circumstances mean something bad. Increase and decrease come in their own time. What matters here is to understand the time and not to try to cover up poverty with empty pretense. If a time of scanty resource brings out an inner truth, one must not feel ashamed of simplicity. For simplicity is then the very thing needed to provide inner strength for further undertakings. Indeed, there need be no concern if the outward beauty of the civilization,*

*even the elaboration of religious forms, should have to suffer because of simplicity. One must draw on the strength of the inner attitude to compensate for what is lacking in externals; then the power of the content makes up for the simplicity of form. There is no need of presenting false appearances to God. Even with slender means, the sentiment of the heart can be expressed.*

## **2) THE ADVICE**

*At the foot of the mountain, the lake: The image of DECREASE.  
Thus the superior man controls his anger  
And restrains his instincts.*

*The lake at the foot of the mountain evaporates. In this way it decreases to the benefit of the mountain, which is enriched by its moisture. The mountain stands as the symbol of a stubborn strength that can harden into anger. The lake is the symbol of unchecked gaiety that can develop into passionate drives at the expense of the life forces. Therefore decrease is necessary; anger must be decreased by keeping still, the instincts must be curbed by restriction. By this decrease of the lower powers of the psyche, the higher aspects of the soul are enriched.*

## **3) THE LINES:**

There are no moving lines.

## **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focusing point.

It is interesting to note that the Nuclear hexagram is excellent

### **NUCLEAR HEXAGRAM**

*HEXAGRAM 24 – Fu - Return (The Turning Point)*

*The idea of a turning point arises from the fact that after the dark lines have pushed all of the light lines upward and out of the hexagram, another light line enters the hexagram from below. The time of darkness is past. The winter solstice brings the victory of light. This hexagram is linked with the eleventh month, the month of the solstice (December-January).*

### **THE JUDGMENT**

*RETURN. Success.  
Going out and coming in without error.  
Friends come without blame.  
To and fro goes the way.  
On the seventh day comes return.  
It furthers one to have somewhere to go.*

*After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force. The upper trigram K'un is characterized by devotion; thus the movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time; therefore no harm results. Societies of people sharing the same views are formed. But since these groups come together in full public knowledge and are in harmony with the time, all selfish separatist tendencies are excluded, and no mistake is made.*

*The idea of RETURN is based on the course of nature. The movement is cyclic, and the course completes itself. Therefore it is not necessary to hasten anything artificially. Everything comes of itself at the appointed time. This is the meaning of heaven and earth.*

*All movements are accomplished in six stages, and the seventh brings return. Thus the Winter solstice, with which the decline of the year begins, comes in the seventh month after the summer solstice; so too sunrise comes in the seventh double hour after sunset. Therefore seven is the number of the young light, and it arises when six, the number of the great darkness, is increased by one. In this way the state of rest gives place to movement.*

#### THE IMAGE

*Thunder within the earth: The image of THE TURNING POINT.  
Thus the kings of antiquity closed the passes  
At the time of solstice.  
Merchants and strangers did not go about,  
And the ruler  
Did not travel through the provinces.*

*The winter solstice has always been celebrated in China as the resting time of the year - a custom that survives in the time of rest observed at the new year. In winter the life energy, symbolized by thunder, the Arousing is still underground. Movement is just at its beginning; therefore it must be strengthened by rest, so that it will not be dissipated by being used prematurely. This principle, i.e., of allowing energy that is renewing itself to be reinforced by rest, applies to all similar situations. The return of health after illness, the return of understanding after an estrangement: everything must be treated tenderly and with care at the beginning, so that the return may lead to a flowering.*

## **42 INCREASE**

### **MANAGERIAL ISSUE:**

The CEO – managing Increase.

In the previous Hexagram (41 Decrease), the wide base weakens to strengthen the narrow top. This creates an inverted pyramid or a lack of balance in the overall corporate structure which leads to instability. The corporation becomes top-heavy/weak-based or light-at-the-bottom/heavy-at-the-top. The CEO has to manage this “poverty” adjusting the corporation by decreasing or shifting resources to rebalance the corporate assets or structure. In the case of subsidiary–parent structure, there is a decrease of the subsidiaries for the sake of the parent company, or a decrease of the employees’ resources for the sake of higher management.

In this Hexagram (42 Increase), the narrow top weakens to strengthen the wide base. This adds even more stability and wealth to the entire structure. In the case of a subsidiary–parent structure, we have a decrease of the parent company’s resources for the sake of the subsidiary or a decrease of the power or benefits of management for the sake of the employees. This rebalancing is seen as an overall gain because every time the CEO shifts resources from the parent to strengthen a subsidiary, he is strengthening the entire corporation - thus it is considered an overall increase.

Unfortunately Increase is a Time-Space of short duration and the CEO must make the most of it.

### **MANAGERIAL LESSON:**

The Superior CEO knows that for the condition of Increase to take place, he must:

- 1) Copy from all successful corporations those methods which have made them successful. This lesson represents one of the most important lessons in the development of managerial skills. If the less successful CEOs were to copy the methods of the more successful CEOs, then the industry and the economy as a whole would benefit. No CEO should feel ashamed of copying the successful methods of the other CEOs. This method best describes the Japanese success story. They “study success”. This is humility at its best. To accept that others are better than oneself at certain things and to copy their particular methods is truly an act of humility. As an example, Jack Welch copied the famous “Six Sigma” quality program from Motorola and applied it to GE with a vengeance demanding that while Motorola took 10 years to implement the Six Sigma program, GE should do it in 5.

The I Ching says: *“When he discovers good in others, he should imitate it and thus make everything on earth his own”.*

No wonder in the 80s the Japanese seemed to be making everything on earth theirs (even though the I Ching would have warned the Japanese that the Universe will eventually level what is high and lift what is low).

- 2) Eliminate all weakness wherever he finds it.

The I Ching says: *“If he perceives something bad in himself, let him rid himself of it. In this way he becomes free from evil.”*

The Japanese corporations are true masters at copying the good of others whether it is products or systems, but they have failed on purpose at eliminating their weakness, one of which is sacrificing their shareholders for the sake of their employees. This is a social strategy difficult to criticize but perhaps better left to the government rather than to the corporations.

- 3) Make a thorough analysis of the corporation to look for the major weaknesses of the organization and change them quickly.
- 4) Keep the right attitude. Perhaps the main managerial lesson of hexagram 42 is that the CEO who wishes to manage the corporation well must always think of serving the best interest of the stockholders and of the employees.

The I Ching says: *“to rule truly is to serve”*.

## **INVESTMENT ADVICE:**

For the investor, the INCREASE Time – Space is an excellent opportunity to invest.

By itself (no lines) the Increase Time-Space points to success provided the CEO makes the most of this Heaven sent opportunity.

*INCREASE.*

*It furthers one*

*To undertake something.*

*It furthers one to cross the great water.*

*Sacrifice on the part of those above for the increase of those below fills the people with a sense of joy and gratitude that is extremely valuable for the flowering of the commonwealth. When people are thus devoted to their leaders, undertakings are possible, and even difficult and dangerous enterprises will succeed. Therefore in such times of progress and successful development it is necessary to work and make the best use of the time. This time resembles that of the marriage of heaven and earth, when the earth partakes of the creative power of heaven, forming and bringing forth living beings. The time of INCREASE does not endure, therefore it must be utilized while it lasts.*

There are two excellent lines (Supreme Good Fortune) and one good line (Good Fortune). What makes these lines positive is that they are Heaven sent.



The following cases are those of corporations under the Increase Time-Space:

- **Seagate Technology PLC STX under CEO Steve Luczo**
- **Autodesk, Inc. ADSK under CEO Carl Bass**

(Read at the end of the Hexagram)

In general terms this Hexagram should be considered a short-term investment because it represents a short term increase. Hexagram 42 could well represent the climax or zenith of the positive corporate situation. From now on the corporation will tend to decline.

The I Ching says: " *the time of increase does not endure, therefore it must be utilized while it lasts*".

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing Increase - when Increase is Heaven sent.

**Managerial Lesson:** Be aware.

**Managerial Warning:** At the first stage of the Increase Time-Space, the CEO encounters a Heaven sent opportunity.

**Managerial Advice:** The Superior CEO recognizes when a rare and unique opportunity presents itself. He knows he must use it to carry out a truly great project. When Heaven supports the Superior CEO, he knows the returns on the investment will be of the highest order provided he focuses on the benefits he can obtain for the customers, stockholders and for his employees rather than for himself.

**Investment advice:** Invest fully.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing Increase – through his own personal development.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the second stage of the Increase Time-Space, the CEO develops the personal conditions to achieve success: by "*receptivity to and love of the good*".

**Managerial Advice:** The Superior CEO recognizes when Heaven helps and makes his utmost effort to maintain his humility and not lose his head. In this way *“he acquires meaning before God and man, and can accomplish something for the good of the world.”* Heaven helps the Superior CEO when he develops himself.

**Investment advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing Increase - when the Increase comes about in spite of the CEO's errors or in spite of unlucky outcomes.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Increase Time-Space, the CEO finds the increase comes about because of a mandate from Heaven.

**Managerial Advice:** The Superior CEO is always humble but even more so when the time for increase is so strong and Heaven sent that even with the CEO's mistakes the corporation prospers. He accepts in all humility that the corporation's success was not his doing and corrects his mistakes.

The I Ching says: *“Copy the good of others and correct your mistakes”*

**Investment advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing Increase – making sure the Increase is for the benefit of all.

**Managerial Lesson:** Be fair.

**Managerial Warning:** At the fourth stage of the Increase Time-Space, the CEO risks the Increase might benefit only those at the top.

**Managerial Advice:** The Superior CEO is just and fair. He knows that only when the employees (as well as customers and shareholders) participate in the corporate increase will he get the employees' support for future large projects. If needed, he will become a man of trust to go between the BOD/shareholders and the employees to make sure part of the profits are spread amongst the employees.

**Investment advice:** Do not invest.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing Increase – with his own kindness and generosity.

**Managerial Lesson:** Be generous.

**Managerial Warning:** At the fifth stage of the Increase Time-Space, the CEO finds his kindness and generosity increases everyone.

**Managerial Advice:** The Superior CEO is kind and generous because it comes from within not because he seeks merits or gratitude. He knows that true generosity is smart because it is profitable.

**Investment advice:** Invest fully.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing Increase – failing at it because of selfishness.

**Managerial Lesson:** Be selfless.

**Managerial Warning:** At the sixth stage of the Increase Time-Space, the CEO fails to Increase the corporation by refusing to transfer the wealth. He fails to Increase the subsidiary at the expense of the parent company's financial condition, or to improve the employees' conditions at the expense of management.

**Managerial Advice:** The Superior CEO is selfless. He would never deny the resources when his goal is to Increase the corporation. He knows that to do so, would be inviting an attack against his authority. He knows that a failure to act in accordance with the Mandate of Heaven - to assist the inferior at the expense of the superior – is an invitation for the inferiors to punish his failure to act and to question his authority.

The I Ching ends with a lesson and a warning for the CEO.

The I Ching says: *“Confucius says about this line: The superior man sets his person at rest before he moves; he composes his mind before he speaks; he makes his relations firm before he asks for something. By attending to these three matters, the superior man gains complete security. But if a man is brusque in his movements, others will not cooperate. If he is agitated in his words, they awaken no echo in others. If he asks for something without having first established relations, it will not be given to him. If no one is with him, those who would harm him draw near.”*

**Investment advice:** Do not invest.

## MANAGERIAL CASES

### **Seagate Technology PLC STX under CEO Steve Luczo**

Steve Luczos' Performance:	ROI= 110.83%	Annualized Return= 32.17%
SPY's Performance:	ROI= 26.77%	Annualized Return= 9.27%

Steve Luczo became CEO of Seagate Technology in 2009. Since then, he has outperformed the SPY proving he was the proper choice for Seagate.

He has already completed the first part of the mandate *It furthers one To undertake something. It furthers one to cross the great water.*

However, as the Space-Time reaches the sixth Line in the next few years, he will have to face the negative line in the sixth place: *He brings increase to no one. Indeed, someone even strikes him. He does not keep his heart constantly steady. Misfortune.*

#### Points the investor should consider:

##### 1) THE HEXAGRAM

HEXAGRAM 42 – I - Increase

*The idea of increase is expressed in the fact that the strong lowest line of the upper trigram has sunk down and taken its place under the lower trigram. This conception also expresses the fundamental idea on which the Book of Changes is based. To rule truly is to serve.*

*A sacrifice of the higher element that produces an increase of the lower is called an out-and-out increase: it indicates the spirit that alone has power to help the world.*

THE JUDGMENT

INCREASE.

*It furthers one*

*To undertake something.*

*It furthers one to cross the great water.*

*Sacrifice on the part of those above for the increase of those below fills the people with a sense of joy and gratitude that is extremely valuable for the flowering of the commonwealth. When people are thus devoted to their leaders, undertakings are possible, and even difficult and dangerous enterprises will succeed. Therefore in such times of progress and successful development it is necessary to work and make the best use of the time. This time resembles that of the marriage of heaven and earth, when the earth partakes of the creative power of*

heaven, forming and bringing forth living beings. The time of INCREASE does not endure, therefore it must be utilized while it lasts.

## 2) THE ADVICE

*Wind and thunder: the image Of INCREASE.*

*Thus the superior man:*

*If he sees good, he imitates it;*

*If he has faults, he rids himself of them.*

*While observing how thunder and wind increase and strengthen each other, a man can note the way to self-increase and self-improvement. When he discovers good in others, he should imitate it and thus make everything on earth his own. If he perceives something bad in himself, let him rid himself of it. In this way he becomes free of evil. This ethical change represents the most important increase of personality.*

## 3) THE LINES:

*Nine at the top means:*

*He brings increase to no one.*

*Indeed, someone even strikes him.*

*He does not keep his heart constantly steady.*

*Misfortune.*

*The meaning here is that through renunciation those in high place should bring increase to those below. By neglecting this duty and helping no one, they in turn lose the furthering influence of others and soon find themselves alone. In this way they invite attacks. An attitude not permanently in harmony with the demands of the time will necessarily bring misfortune with it.*

*Confucius says about this line:*

*The superior man sets his person at rest before he moves; he composes his mind before he speaks; he makes his relations firm before he asks for something. By attending to these three matters, the superior man gains complete security. But if a man is brusque in his movements, others will not cooperate. If he is agitated in his words, they awaken no echo in others. If he asks for something without having first established relations, it will not be given to him. If no one is with him, those who would harm him draw near.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 03 – Chun - Difficulty at the Beginning*

*The name of the hexagram, Chun, really connotes a blade of grass pushing against an obstacle as it sprouts out of the earth hence the meaning, "difficulty at the beginning." The hexagram indicates the way in which heaven and earth bring forth individual beings. It is their first meeting, which is beset with difficulties. The lower trigram Chen is the Arousing; its motion is upward and its image is thunder.*

*The upper trigram K'an stands for the Abysmal, the dangerous. Its motion is downward and its image is rain. The situation points to teeming, chaotic profusion; thunder and rain fill the air. But the chaos clears up. While the Abysmal sinks, the upward movement eventually passes beyond the danger. A thunderstorm brings release from tension, and all things breathe freely again.*

#### THE JUDGMENT

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

#### THE IMAGE

*Clouds and thunder: The image Of DIFFICULTY AT THE BEGINNING.  
Thus the superior man  
Brings order out of confusion.*

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*

### **Autodesk, Inc. ADSK under CEO Carl Bass**

Carl Bass' Performance:	ROI= (40.44%)	Annualized Return= (8.73%)
SPY's Performance:	ROI= ( 8.25%)	Annualized Return= ( 1.50%)

Carl Bass became CEO of Autodesk in 2006. Since then, his performance has been poor compared to the SPY's.

However, his new Time-Space as of 2011 is Increase with two positive Lines (one Good Fortune and another Supreme Good Fortune). In addition, the Moving Hexagram is The Taming Power of the Great. His Hexagram, his Lines and his Moving Hexagram point to an improvement in his future performance.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Six in the second place means:*

*Someone does indeed increase him*

*Ten pairs of tortoises cannot oppose it.*

*Constant perseverance brings good fortune.*

*The king presents him before God.*

*Good fortune.*

*A man brings about real increase by producing in himself the conditions for it. That is, through receptivity to and love of the good. Thus the thing for which he strives comes of itself, with the inevitability of natural law. Where increase is thus in harmony with the highest laws of the universe, it cannot be prevented by any constellation of accidents. But everything depends on his not letting unexpected good fortune make him heedless; he must make it his own through inner strength and steadfastness. Then he acquires meaning before God and man, and can accomplish something for the good of the world.*

*Six in the third place means:*

*One is enriched through unfortunate events.*

*No blame, if you are sincere*

*And walk in the middle,*

*And report with a seal to the prince.*

*A time of blessing and enrichment has such powerful effects that even events ordinarily unfortunate must turn out to the advantage of those affected by them. These persons become free of error, and by acting in harmony with truth they gain such inner authority that they exert influence as if sanctioned by letter and seal*

*Nine in the fifth place means:*

*If in truth you have a kind heart, ask not.*

Supreme good fortune.  
Truly, kindness will be recognized as your virtue.

True kindness does not count upon nor ask about merit and gratitude but acts from inner necessity. And such a truly kind heart finds itself rewarded in being recognized, and thus the beneficent influence will spread unhindered.

#### **4) THE MOVING HEXAGRAM**

##### HEXAGRAM 26 - Ta Ch'u - The Taming Power of the Great

The Creative is tamed by Ken, Keeping Still. This produces great power, a situation in contrast to that of the ninth hexagram, Hsiao Ch'u, THE TAMING POWER OF THE SMALL, in which the Creative is tamed by the Gentle alone. There one weak line must tame five strong lines, but here four strong lines are restrained by two weak lines; in addition to a minister, there is a prince, and the restraining power therefore is far stronger.

The hexagram has a threefold meaning, expressing different aspects of the concept Holding firm. Heaven within the mountain gives the idea of holding firm in the sense of holding together; the trigram Ken, which holds the trigram Ch'ien still, gives the idea of holding firm in the sense of holding back; the third idea is that of holding firm in the sense of caring for and nourishing. This last is suggested by the fact that a strong line at the top, which is the ruler of the hexagram, is honored and tended as a sage. The third of these meanings also attaches specifically to this strong line at the top, which represents the sage.

##### THE JUDGMENT

##### THE TAMING POWER OF THE GREAT.

Perseverance furthers.

Not eating at home brings good fortune.

It furthers one to cross the great water.

To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.

##### THE IMAGE

Heaven within the mountain:

The image of THE TAMING POWER OF THE GREAT.

Thus the superior man acquaints himself with many sayings of antiquity



*And many deeds of the past, In order to strengthen his character thereby.*

*Heaven within the mountain points to hidden treasures. In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters. The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past.*

## **43 BREAK-THROUGH** **(RESOLUTENESS)**

### **MANAGERIAL ISSUE:**

The CEO – resolutely breaking through – freeing the corporation / himself of the remaining evil, executing his punishment for the benefit of the corporation.

Hexagram 43 is made up of five positive lines at the bottom and one negative line on top. Thus, even though evil influences are declining, they are still present on top.

The bottom lines are pushing from below and will eventually free the Hexagram of the last evil line on top. The action of freeing the hexagram from all the negative influences require an ultimate push or a resolute Break Through.

Hexagram 43 represents a fundamental managerial lesson, one that every CEO should read carefully until he understands and assimilates it.

### **MANAGERIAL LESSON:**

The Superior CEO knows that the presence of evil, however small, whether it be present in the heart of the corporation as expressed in its managerial practices or in the heart of the CEO or in the heart of the employees, will destroy the corporation in the long run. There should be no room for both evil and good in the corporation.

The Superior CEO must be resolutely determined to combat evil in the corporation. The way to do it is to:

- 1) Gather around him all the positive forces in a friendly manner,
- 2) Let them know that neither he nor they will accept the presence of evil in the corporation or in their jobs. That they will speak out against any evil managerial practice they may find. The lesson is to hide none of the evil you see, but to make it all public bringing it out into the light where it will wither and die.
- 3) Use reason rather than force to fight evil. Force will only make us equal to the same evil we are fighting, making us lose our moral high ground.
- 4) Emphasize the positive rather than forcefully fight the negative. Do not fight evil with evil but rather with good – that is, avoid it altogether.
- 5) Prevent it, which is the best way to fight evil. The best way to prevent it is to share with others the good fortune and thus avoid envy. Whenever the corporation accumulates wealth, the CEO must find the way to share it with others, not only with the stockholders in the form of dividends, but also with the employees in the form of bonuses, or by starting a

new project, or a charitable cause. In this way, the CEO acts in accordance with a basic law of nature by taking away from those who have much and giving to those who have little.

- 6) Share all he can. The CEO must share not only the wealth of the corporation but also the wealth of his mind and thereby share the wealth of Heaven and of Earth. By living by this law, the CEO keeps open his mind to new ideas even if he is very successful. He allows a continuous enlightenment to occur to him.
- 7) Reevaluates. Constant reevaluation of conditions will ensure evil is rooted out from the corporation.

## **INVESTMENT ADVICE:**

For the investor, the Break Through Time – Space is not an opportunity to invest. After all, the corporation still has elements of evil within it and the CEO's task is to get rid of those elements of evil still remaining. This is quite a difficult task. The Judgment warns of Danger and there are no positive lines

By itself (no lines) the Hexagram points to difficult conditions where the CEO must be constantly on guard. Such conditions are not ideal for the investors.

### *BREAK-THROUGH.*

*One must resolutely make the matter known*

*At the court of the king.*

*It must be announced truthfully.*

*Danger.*

*It is necessary to notify one's own city.*

*It does not further to resort to arms.*

*It furthers one to undertake something.*

*Even if only one inferior man is occupying a ruling position in a city, he is able to oppress superior men. Even a single passion still lurking in the heart has power to obscure reason. Passion and reason cannot exist side by side - therefore fight without quarter is necessary if the good is to prevail.*

*In a resolute struggle of the good against evil, there are, however, definite rules that must not be disregarded, if it is to succeed. First, resolution must be based on a union of strength and friendliness. Second, a compromise with evil is not possible; evil must under all circumstances be openly discredited. Nor must our own passions and shortcomings be glossed over. Third, the struggle must not be carried on directly by force. If evil is branded, it thinks of weapons, and if we do it the favor of fighting against it blow for blow, we lose in the end because thus we ourselves get entangled in hatred and passion.*

*Therefore it is important to begin at home, to be on guard in our own persons against the faults we have branded. In this way, finding no opponent, the sharp edges of the weapons of evil become dulled. For the same reasons we should not combat our own faults directly. As long as we wrestle with them, they continue victorious. Finally, the best way to fight evil is to make energetic progress in the good.*

There are no positive lines.

The following cases are those of corporations under the Break Through Time-Space:

- **Akamai Technologies Inc. AKAM CEO Paul Sagan**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the break-through – the beginning.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the first stage of the Break Through Time-Space, the CEO has firmly decided to reject all evil in the corporation, both the evil personnel and the evil practices which have accumulated in time. However, he finds that getting rid of evil is not easy and is tempted to “*plunge blindly ahead*”.

**Managerial Advice:** The Superior CEO knows all beginnings imply difficulties, and in this case neither the evil employees nor the evil practices will easily go away. He carefully studies his position to measure how strong it is and how far he can go in eliminating evil. He knows that to use full force without measuring all the possible outcomes will only result in playing into the hands of his opponents and delay the break through.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the break through – preparing the corporation for it.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the second stage of the Break Through Time-Space, the CEO risks lacking the necessary preparation for the impending evil.

**Managerial Advice:** The Superior CEO is always ready for any eventuality. He knows he must develop the right attitude:

- Be careful and keep calm at all times.
- Prepare for evil even before it appears because he knows it will eventually appear.

- Arm the corporation for the eventual presence of evil by creating deterrents.
- Not be afraid at the arrival of evil because he has prepared the corporation for it.
- Not allow evil to make him lose his balance and force him to take extreme positions.
- Mold himself into an example to follow. As a man of reason and character, others will perceive him as their leader and will follow him. He will indeed, speak softly but carry a big stick.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the break through - failing because of his association with evil.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the third stage of the Break Through Time-Space, the CEO finds that while everyone in the corporation is fighting evil, he is not resolute in his fight. He even appears to have a friend among the evil ones.

**Managerial Advice:** The Superior CEO quickly regains his resolve to fight evil should he ever lose it. He knows he must:

- Realize his task is extremely difficult.
- Bide his time and choose the right moment to break his friendship with evil. If his timing is wrong, evil will destroy him.
- Be prepared for evil to falsely accuse him of being part of evil, and for others to misjudge him and reject him.
- keep faith in himself. As long as he is true to himself, he will be false to no man.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the break-through - encountering obstacles in his effort to break through.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the fourth stage of the Break Through Time-Space, the CEO encounters resistance from some of his executives in his attempts to eliminate evil from the corporation. By becoming so obsessed with eliminating evil from the corporation, he risks reverting to the same evil practices as those of his opponents and closing his mind to any positive suggestions.

**Managerial Advice:** The Superior CEO seeks deeply within his heart to see if he is not the cause of the excessive resistance. In this case, he knows he is the cause. In particular it could

very well be the aggressive way in which he fights evil. He knows that by combating evil with the same methods evil would use, he risks becoming one of them with no one perceiving him as a leader and no one following him.

One of the main lessons of Hexagram 43 is that for the CEO to eliminate any evil employees or evil practices, he must use reason rather than force to avoid becoming as evil as his adversaries, and to keep his mind open to new ideas rather than shut it out completely. He seems to be beyond any capacity to reason or to hear.

**Investment Advice:** Do not invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the break through - strengthening his resolve to break through.

**Managerial Lesson:** Be constant.

**Managerial Warning:** At the fifth stage of the Break Through Time-Space, the CEO faces a pocket of a few evil executives in the top managerial places. Because of his leniency, he has allowed his relationship with them to go on for too long, thus placing the corporation in danger. He risks giving up the fight by viewing it as hopeless.

**Managerial Advice:** The Superior CEO knows:

- Evil will always be present in this world and certainly will always be present in the corporation both in the form of executives or of practices.
- The fight against evil is practically a never-ending battle.
- He should prepare to fight it with resoluteness.
- He must not compromise.
- Constancy and tenacity are the only way out of this fight.
- His corporation's survival lies in realizing he can never rid the corporation completely of evil; that he must only hope to keep it at bay or under a limited control.
- He loses the minute he thinks he has completely triumphed over evil.

**Investment Advice:** Do not invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the break-through - failing due to a false sense of security.

**Managerial Lesson:** Be alert.

**Managerial Warning:** At the sixth stage of the Break Through Time-Space, The I Ching describes a CEO who forgot that evil never dies. He fell into a false sense of security and thus lost the fight against evil. This gave sufficient time for the evil executives to regroup, to gain new adepts, and to remain in a low profile.

**Managerial Advice:** The Superior CEO knows:

- The only way to triumph over the evil executives is to realize how strong an adversary they are and to prepare for them.
- He fails the minute he thinks he has overcome evil completely.
- He must realize he will never triumph completely over evil for evil does not die; that he can only hope for a limited control over it.
- The very same act on the CEO's part of thinking he can triumph over evil is a clear sign that evil is inside him, an evil which he must fight not to eradicate completely because he cannot, but rather to gain a limited control over it.

The Hexagram's top line, which is a negative line on top (and five positive lines below it), represents the CEO's failure in allowing evil to escape. This negative line will show up once again at the bottom of the next Hexagram, number 44, to continue a never-ending cycle of good displacing evil and evil displacing good.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Akamai Technologies Inc. AKAM CEO Paul Sagan**

Paul Sagan' Performance:	ROI= 65.19%	Annualized Return= 8.13%
SPY's Performance:	ROI= 0.13%	Annualized Return= 0.02%

Paul Sagan became CEO of Akamai Technologies in April of 2005. Since then, he has outperformed the SPY.

However, because he has been CEO for almost 7 years, we have to ask the Oracle about his new Time-Space.

Now that his new Time-Space has changed as of January 2011 to that of the Break-Thorough, his performance has turned quite negative compared with the SPY's:

Paul Sagan' Performance:	ROI= (57.52%)	Annualized Return= (72.07%)
SPY's Performance:	ROI= (7.24%)	Annualized Return= (10.51%)

The question now is whether he has the necessary resoluteness to manage this period where he must get rid of the evil remaining in his corporation. Because there is no Good Fortune in his lines, the battle against evil is even more difficult.

His line is positive in that it advises him to fear nothing. However, fearing nothing is not the same as Good Fortune.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 43 – Kuai - Break-through (Resoluteness)*

*This hexagram signifies on the one hand a break-through after a long accumulation of tension, as a swollen river breaks through its dikes, or in the manner of a cloudburst. On the other hand, applied to human conditions, it refers to the time when inferior people gradually begin to disappear. Their influence is on the wane; as a result of resolute action, a change in conditions occurs, a break-through. The hexagram is linked with the third month [April-May].*

#### *THE JUDGMENT*

##### *BREAK-THROUGH.*

*One must resolutely make the matter known*

*At the court of the king.*

*It must be announced truthfully.*

*Danger.*

*It is necessary to notify one's own city.*

*It does not further to resort to arms.*

*It furthers one to undertake something.*

*Even if only one inferior man is occupying a ruling position in a city, he is able to oppress superior men. Even a single passion still lurking in the heart has power to obscure reason. Passion and reason cannot exist side by side - therefore fight without quarter is necessary if the good is to prevail.*

*In a resolute struggle of the good against evil, there are, however, definite rules that must not be disregarded, if it is to succeed. First, resolution must be based on a union of strength and friendliness. Second, a compromise with evil is not possible; evil must under all circumstances be openly discredited. Nor must our own passions and shortcomings be glossed over. Third, the struggle must not be carried on directly by force. If evil is branded, it thinks of weapons, and if we do it the favor of fighting against it blow for blow, we lose in the end because thus we ourselves get entangled in hatred and passion.*

*Therefore it is important to begin at home, to be on guard in our own persons against the faults we have branded. In this way, finding no opponent, the sharp edges of the weapons of evil become dulled. For the same reasons we should not combat our own faults directly. As long as*



*we wrestle with them, they continue victorious. Finally, the best way to fight evil is to make energetic progress in the good.*

## **2) THE ADVICE**

*The lake has risen up to heaven: The image of BREAK-THROUGH.  
Thus the superior man  
Dispenses riches downward  
And refrains from resting on his virtue.*

*When the water of a lake has risen up to heaven, there is reason to fear a cloudburst. Taking this as a warning, the superior man forestalls a violent collapse. If a man were to pile up riches for himself alone, without considering others, he would certainly experience a collapse. For all gathering is followed by dispersion. Therefore the superior man begins to distribute while he is accumulating. In the same way, in developing his character he takes care not to become hardened in obstinacy but to remain receptive to impressions by help of strict and continuous self-examination.*

## **3) THE LINES:**

*Nine in the second place means:  
A cry of alarm.  
Arms at evening and at night.  
Fear nothing.*

*Readiness is everything. Resolution is indissolubly bound up with caution. If an individual is careful and keeps his wits about him, he need not become excited or alarmed. If he is watchful at all times, even before danger is present, he is armed when danger approaches and need not be afraid. The superior man is on his guard against what is not yet in sight and on the alert for what is not yet within hearing; therefore he dwells in the midst of difficulties as though they did not exist. If a man develops his character, people submit to him of their own accord. If reason triumphs, the passions withdraw of themselves. To be circumspect and not to forget one's armor is the right way to security-*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 49 – Ko – Revolution (Molting)*

*The Chinese character for this hexagram means in its original sense an animal's pelt, which is changed in the course of the year by molting. From this the word is carried over to apply to the "molting" in political life, the great revolutions connected with changes of governments. The two trigram making up the hexagram are the same two that appear in K'uei, OPPOSITION (38), that is, the two younger daughters, Li and Tui. But while there the elder of the two daughters is above, and what results is essentially only an opposition of tendencies, here the younger daughter is above. The influences are in actual conflict, and the forces combat each other like fire and water (lake), each trying to destroy the other. Hence the idea of revolution.*

## THE JUDGMENT

### REVOLUTION

*On your own day  
You are believed.  
Supreme success,  
Furthering through perseverance.  
Remorse disappears.*

*Political revolutions are extremely grave matters. They should be undertaken only under stress of direst necessity, when there is no way out. Not everyone is called to this task, but only the man who has the confidence of the people, and even he only when the time is ripe. He must then proceed in the right way, so that he gladdens the people and, by enlightening them, prevents excesses. Furthermore, he must be quite free of selfish aims and must really relieve the need of the people. Only then does he have nothing to regret.*

*Times change, and with them their demands. Thus the seasons change in the course of the year. In the world cycle also there are spring and autumn in the life of peoples and nations, and these call for social transformations.*

## THE IMAGE

*Fire in the lake: the image of REVOLUTION.  
Thus the superior man  
Sets the calendar in order  
And makes the seasons clear.*

*Fire below and the lake above combat and destroy each other. So too in the course of the year a combat takes place between the forces of light and the forces of darkness, eventuating in the revolution of the seasons. Man masters these changes in nature by noting their regularity and marking off the passage of time accordingly. In this way order and clarity appear in the apparently chaotic changes of the seasons, and man is able to adjust himself in advance to the demands of the different times.*

## **44 COMING TO MEET**

### **MANAGERIAL ISSUE:**

The CEO – managing to protect the corporation from the inevitable return of evil.

Hexagram 44 is made up of five YANG (positive) lines on top and one YIN (negative) line at the bottom. It represents the return of those evil executives and practices the BOD or the CEO believed to have eliminated in Hexagram 43. It also points to the idea that the I Ching represents a continuous and never ending cycle, much like a spiral.

Sometimes the union of the YING and the YANG can be positive, provided it is complementary, natural and in good faith. This would be the case, for instance, of a strategic corporate takeover, which provides vertical or horizontal integration to the corporation.

In the case of Hexagram 44 the corporation has:

- 1) Elected executives to higher positions who will implement destructive policies. This is the case of Stan O’Neal when elected by the BOD of Merrill Lynch as CEO (see On Management). In this case, it is the strong (BOD) that gives him power. Otherwise he would never reach so high a position.
- 2) Hired new employees at the lower levels. The personnel department assumed these new hires wanted the best for the corporation; however, these individuals are conflictive, they will corrupt the corporation in an unsuspecting and subtle manner. They will slowly creep up until having reached the higher positions, at which moment the CEO will have to struggle to throw them out. Their strength comes from the CEO’s or the corporation’s willingness to give them power rather than stopping them in the very beginning. If the CEO were to realize the danger at an early moment, he could prevent further damage.
- 3) Allowed the entrance of the YING element into the corporation in the form of an incompetent female executive. She prospers because the CEO gives her power without her having sufficient merits. This could be the result of nepotism or of intimate relations. In any event, this can only end up in a catastrophic situation. There are a number of examples of this case in corporate history. In the long run both, the CEO as well as the corporation will surely suffer. In the case of government, this is the Nuclear Hexagram of Bill Clinton which points to the future events with Monica Lewinsky (Read On Management).

### **MANAGERIAL LESSON:**

The Superior CEO understands he is in too high a managerial position to personally prevent evil from entering into the corporation; therefore, he creates a corporate structure with such clear and just rules that by their high moral standing they keep evil away (most of it).

The problem is when the CEO himself is evil and therefore, the one who is re-introducing evil into the corporation. Who can protect such a corporation from its assured destruction, as in the case of Stan O'Neal and Merrill Lynch?.

## **INVESTMENT ADVICE:**

For the investor, the Coming to Meet Time–Space does not represent a good opportunity to invest. After all, evil is returning to the corporation. The CEO's task is to prevent it. That is quite a difficult task and the CEO will not be successful, except perhaps in the fifth line and that thanks only to a fortuitous event.

By itself the Coming to Meet Time-Space is not favorable at all.

*COMING TO MEET.*

*The maiden is powerful.*

*One should not marry such a maiden.*

*The rise of the inferior element is pictured here in the image of a bold girl who lightly surrenders herself and thus seizes power. This would not be possible if the strong and light-giving element had not in turn come halfway. The inferior thing seems so harmless and inviting that a man delights in it; it looks so small and weak that he imagines he may dally with it and come to no harm.*

*The inferior man rises only because the superior man does not regard him as dangerous and so lends him power. If he were resisted from the first, he could never gain influence.*

*The time of COMING TO MEET is important in still another way. Although as a general rule the weak should not come to meet the strong, there are times when this has great significance. When heaven and earth come to meet each other, all creatures prosper; when a prince and his official come to meet each other, the world is put in order. It is necessary for elements predestined to be joined and mutually dependent to come to meet one another halfway. But the coming together must be free of dishonest ulterior motives, otherwise harm will result.*

The lines 1, 4 and 6 are very poor investment choices.

The following case is one of a corporations that went under the Coming to Meet Time-Space:

- **MERRILL LYNCH UNDER CEO STAN O'NEAL (2002)**

(Read Chapter On Management)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – dealing with evil as it reenters the corporation.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the first stage of the Coming to Meet Time-Space, the CEO faces a condition where evil has reentered the corporation, whether in the form of newly elected executives, new hires or in the acceptance of a misguided managerial principle. This is represented by the entry of the YING line at the bottom of the Hexagram. Once evil is in, it will grow like a cancer and destroy everything in its path.

**Managerial Advice:** The Superior CEO roots out all evil at once. He knows it is impossible for a CEO to know which of the newly appointed executives or new hires will turn into a rotten influence or which of the new strategic ideas can eventually bring the corporation down. However, he knows that once he has laid down solid guiding principles and once he has hired solid personnel amongst the lower ranking executives, he should slow down the re-entry of evil in the corporation. He knows he will not stop it, but he might slow it down;

However, in this case he won't. This lesson must be seen as a never- ending struggle against evil, or as a battle where the CEO is going to win some and lose some. Regardless of the outcome, he must maintain the right attitude.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – letting the returning evil influence him

**Managerial Lesson:** Be truthful.

**Managerial Warning:** At the second stage of the Coming to Meet Time-Space, the CEO faces a condition where the wrong employees and the wrong managerial practices have entered the corporation and have been discovered; however, the CEO has developed a benevolent attitude about evil.

**Managerial Advice:** The Superior CEO allows only the Good to influence him. He knows that to get comfortable with evil is dangerous, that he cannot control evil forever, and that eventually evil will escape and gain new followers in the corporation or among its subsidiaries.

What makes this line so unattractive as an investment is the CEO's belief that he can handle evil. Eventually he will fall sleep.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – letting evil deeper into the corporation out of incompetence.

**Managerial Lesson:** Go back to basics.

**Managerial Warning:** At the third stage of the Coming to Meet Time-Space, the CEO has allowed the wrong employees and the wrong managerial practices to enter even deeper into the higher managerial positions of the corporation. They have gone up the corporate ladder. They have escaped control and have gained new adepts with their highly persuasive, sweet talking ideas. Even the CEO is close to becoming one of their adepts.

**Managerial Advice:** The Superior CEO, when tempted by evil, holds on to his basic principles and rejects any evil presence. Those same principles which have made his corporation successful.

Luckily, in this case fate intervenes and saves the CEO. But what makes this line un-attractive as an investment is the fact that the CEO came so close to becoming one of evil's adepts.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – deliberately letting evil even deeper into the corporation but as part of a strategy.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the fourth stage of the Coming to Meet Time-Space, the CEO allows the wrong employees and managerial practices to enter much deeper into the corporation and get much stronger – playing with danger.

**Managerial Advice:** The Superior CEO is flexible. He recognizes that sometimes he might have to compromise in part with evil employees or practices as part of an strategy and for the purpose of eventually turning them into allies, or of eventually making good use of them. He knows that even evil can be part of a greater game plan to fight an even greater evil. Such was the case of Winston Churchill asking Stalin's help in fighting Hitler. This; however, is an extreme measure full of dangers and always costly.

**Investment Advice:** Do not invest

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – strategically letting evil take control of the corporation to turn it into good.

**Managerial Lesson:** Be a leader.

**Managerial Warning:** At the fifth stage of the Coming to Meet Time-Space, the CEO allows the wrong executives to gain substantial influence in the corporation as an strategy to turn them around.

**Managerial Advice:** The Superior CEO recognizes when Heaven is on his side and turns himself into an example to follow. He knows he has excellent qualities both personal and managerial and is able to fully exercise his leadership qualities, his sense of fairness, and his brilliance. His strategy is to convert the minds of these corrupted executives into positive mode like the CEO's.

Evil turns to good because of the right leader. This happens sometimes but it is not a good reason to invest. As investors, we do not want to go through the learning cycle of the executives. We want to invest once they have become positive executives - onward.

**Investment Advice:** Invest (if you must). Look for a better alternative.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to protect the corporation from the inevitable return of evil – disconnecting from the corporation due to the overwhelming presence of evil.

**Managerial Lesson:** Be composed.

**Managerial Warning:** At the sixth stage of the Coming to Meet Time-Space, the CEO has been so overwhelmed by evil that he turns proud and prefers to stay away from the fight and remain in a way above good and evil. Such attitude will be much criticized and therefore to hold on to his position he must stay composed.

**Managerial Advice:** The Superior CEO is humble and will never let evil take over his corporation without putting up a fight. .

**Investment Advice:** Do not invest.

# **45 GATHERING TOGETHER**

## **MANAGERIAL ISSUE:**

The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose.

Hexagram 45 represents the gathering together of all the corporate forces such the joining together of both the CEO and the employees. The Superior CEO knows it is natural for everyone in the corporation to gather around him, in the same way a family gathers around its patriarch.

## **MANAGERIAL LESSON:**

The Superior CEO:

- 1) Pays homage to the living as well as the dead. He gathers the employees regularly to pay homage to those who ran the corporation in the past. Together, they honor the men who were behind the success of the corporation. As an example, the new chairman of Coca Cola should gather the employees to pay tribute to Goizueta and all those responsible for the corporation's success before his time. That is, to pay tribute to what Mr. Goizueta stood for, for his firm beliefs in the developing of talent and for his emphasis in the human side of the corporation.

By paying homage to those who ran the corporation in the past, the CEO pays homage to the principles by which the corporation became successful, and to the ideals that made the corporation what it is today.

There is a spiritual element in this advice, which the CEO should take very seriously.

- The I Ching says: *“Through the collective piety of the living members of the family, the ancestors become so integrated in the spiritual life of the family that it cannot be dispersed or dissolved.”*

In effect, by paying homage to the previous CEOs and to the most outstanding employees who passed away, or to “honor our dead”; the present employees gather the protective guardianship of their spirits unto themselves.

The Catholic Church has always successfully practiced this policy. By paying homage to all their martyrs, especially to the ones buried under the Vatican and the Roman Coliseum, it calls upon their spirits to protect the Catholic Church from its enemies.



- 2) Sets up a corporate mission. A corporation is made up of a group of individuals, and as any group of individuals they require both a common corporate mission as a general guiding principle, as well as a leader or CEO to keep them together as a group. The corporate mission will give the employees a common focus, which they can share, while the CEO will give them the guiding force to accomplish their mission and provide the mission with a human face. It is the CEO together with the employees who must define, proclaim, and see to it that the mission is accomplished. Such a CEO must be a firm believer in what the corporation preaches; he must have all the qualities of a leader, must be a centered person, humble and willing to listen. Only a common corporate mission can unite a group of employees to become an ongoing corporation. Microsoft, Dell, Apple, Oracle and others come to mind.

When the employees meet at their regular conventions, it should not be just to throw a party. The annual convention should serve to reaffirm their belief in their mission as a corporation, and to honor their previous leaders. In this way the employees reinforce the bond between the past and the present. It will also prepare them for the future, a future, which is always uncertain and full of risks. Can any corporation face such uncertainties without any beliefs, without any sense of mission, without any reverence for their previous leaders who brought them to where they are today? These continuous gatherings to reaffirm their missions and to honor those who made it all possible in the past will keep the corporation profitable for many years to come.

- 3) Prepares for all the unexpected that may result from the Gathering Together of men. (Hexagram 45 properly represents the corporation as a Gathering Together of individuals).
  - a) To expect and prepare for disagreements and fights to occur amongst the various corporate divisions. Whenever a large number of employees get together, disagreements will naturally appear.
  - b) To beware of bickering and jealousy amongst his top executives. The very nature of a corporation creates a competitive environment, which rewards the most aggressive. This type of environment will surely create all kinds of negative feelings amongst those who cannot reach the corporation's higher goals.
  - c) To improve the corporate atmosphere. The Superior CEO frequently gathers together his executives and the rest of the employees under a friendly atmosphere. These frequent gatherings are honest and friendly. He knows that only in this way can he both bring out in the open any disagreement and freely discuss the best ways to resolve their differences.
  - d) To prepare for the greatest folly of all - doing nothing to change the course of events, even after being properly warned. The Superior CEO is always ready for any change both expected as well as unexpected to meet any challenge, especially if he has been properly advised as to the approaching dangers.

## **INVESTMENT ADVICE:**

For the investor, the Gathering Together Time-Space does not represent in general terms a positive environment for investing.

By itself (no lines) the Gathering Together Time-Space points to the possibility of success provided the CEO has the moral force to unite the employees as well as the customers.

### **GATHERING TOGETHER.**

*Success.*

*The king approaches his temple.*

*It furthers one to see the great man.*

*This brings success.*

*Perseverance furthers.*

*To bring great offerings creates good fortune.*

*It furthers one to undertake something,*

*The gathering together of people in large communities is either a natural occurrence, as in the case of the family, or an artificial one, as in the case of the state. The family gathers about the father as its head. The perpetuation of this gathering in groups is achieved through the sacrifice to the ancestors, at which the whole clan is gathered together. Through the collective piety of the living members of the family, the ancestors become so integrated in the spiritual life of the family that it cannot be dispersed or dissolved.*

*Where men are to be gathered together, religious forces are needed. But there must also be a human leader to serve as the center of the group. In order to be able to bring others together, this leader must first of all be collected within himself. Only collective moral force can unite the world. Such great times of unification will leave great achievements behind them. This is the significance of the great offerings that are made. In the secular sphere likewise there is need of great deeds in the time of GATHERING TOGETHER.*

Out of the six lines, only two are positive. That is, only in two occasions the CEO manages to properly execute the Gathering Together and that is because of fortuitous events.

The following cases are those of corporations under the Gathering Together Time-Space:

- **Wal-Mart Stores Inc. WMT under CEO Mike Duke**
- **Adobe Systems Inc. ADBE under CEO Shantanu Narayen**

(Read at the end of the Hexagram)

## **THE LINES:**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose – Gathering employees of another corporation.

**Managerial Lesson:** Be a leader.

**Managerial Warning:** At the first stage of the Gathering Together Time-Space, the CEO faces two possible conditions:

1. a group of employees of another corporation (perhaps a lower ranked one) in the industry believe they can be much more effective by joining a leader such as himself. Nevertheless, they are reluctant to approach him because the rest of the employees have not yet seen the value of it.
2. a group of employees of his own corporation believe they can be much more effective by joining the CEO of another corporation. However, they are reluctant to approach him because the rest of the employees have not yet seen the value of it.

Both conditions mean that a lack of leadership in the Gathering Together of the employees will make them look for another leader in another corporation.

**Managerial Advice:** the Superior CEO is open and fair.

1. In the first case, he is open to anyone group of employees of another corporation who might have a great idea and want to join him to execute the idea.
2. In the second case, he will do everything within reason to keep his employees. But if they want to leave, he does not stand in the way.

The I Ching recommends the employees should certainly call on the CEO of the company they wish to join and let him know their wishes. If their idea is good, no doubt the CEO will accept them. There are many examples of this in the corporate world, including the case of Avis and Hospitality. The great majority of the owners and employees of Avis felt they would be much better off with Hospitality, but it was up to them to call on the CEO of the leading corporation and propose the deal. The I Ching encourages any group of employees who feel they might be better off with another corporation to call on the CEO and propose a deal to him. Why should it always be up to the party taking over to do the initial approach?

Think of how Tony Fadell approached Steven Jobs to propose the idea of the iPod after Real Networks and Phillips had turned Fadell down.

**Investment Advice:** Do not invest.

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose - answering the mandate of Heaven.

**Managerial Lesson:** Be responsive.

**Managerial Warning:** At the second stage of the Gathering Together Time-Space, the CEO finds he has been asked to lead a corporation, as a way of Gathering Together with a group. This is a matter of fate. This is probably a corporation that is in serious need of a leader to improve its performance.

**Managerial Advice:** The Superior CEO recognizes a Heaven sent opportunity. He accepts this offer as a unique one or literally as a Heaven sent opportunity to both: turn the corporation around and further his reputation in the corporate world.

- The I Ching says: *“There are secret forces at work, leading together those who belong together.”*

Indeed: “What God has put together, let no man put asunder”.

The Superior CEO is humble and recognizes that:

- Where a spiritual understanding exists there is no need for grand plans nor for any corporate etiquette.
- This is a time for great communication between the CEO and the employees. They both would appear to have a single mind, a single purpose. This communication in turn will lead to mutual trust.

**Investment Advice:** Invest. The I Ching says: *“letting oneself be drawn Brings good fortune”*. The wise investor will recognize this Heaven sent opportunity and make the most of it.

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose - even if he might be late.

**Managerial Lesson:** Be resolute.

**Managerial Warning:** At the third stage of the Gathering Together Time-Space, the CEO sees a good opportunity and wishes to join the corporation; however, this might be a lost cause because the employees have already organized themselves but without a real leader.

**Managerial Advice:** The Superior CEO is humble and persevering. He will make the approach if he sees a solid opportunity to join the corporation and make it profitable. He puts aside any sense of pride.

Just as in the first line the I Ching advises the group of employees to approach the CEO; in this case the I Ching advises the CEO to approach the corporation and propose to lead them.

The Superior CEO to be seeks the help of one of the top executives, one who is close to the Board of Directors and asks for his support and an introduction to the Board of Directors, even if there is only a small possibility for success.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose - for the sake of the corporation.

**Managerial Lesson:** Be just.

**Managerial Warning:** At the fourth stage of the Gathering Together Time-Space, the CEO Gathers Together the best not for his own personal sake, but rather for the corporate cause and a superior ideal.

**Managerial Advice:** The Superior CEO is humble, a rare quality in humans in general and even less so in a CEO. He knows that if he acts for the good of the employees, shareholders and customers, he will find balance within.

This is the one of the greatest lessons for the CEO: to make the corporation profitable for all the parties and not just for the shareholders only. This is the true mark of a great CEO and the guarantee of an assured presence of the corporation in the market for many years to come.

**Investment Advice:** Invest. The I Ching says: “*Great Good Fortune*”.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose - in spite of their ulterior motives.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Gathering Together Time-Space, the CEO is called upon by a corporation to lead them. Yet there are some ulterior motives behind their offer. In effect, this CEO is not wanted because the employees feel any regard for his abilities but rather because of his fame, as if he were a rock star. It is as if the employees of Chrysler had called upon Lee Iacocca to lead them, but only because of his reputation and ability to get some loans from Congress and not because of his talents and experience in the automobile industry.

**Managerial Advice:** The Superior CEO is humble, He knows that if the employees chose him due to some ulterior motives, then it is OK in all humility to go along with their offer. He lets their actions be a reflection upon them rather than upon himself. He knows that to start with, he already has their backing, even if it is for the wrong reasons. This backing in itself provides him with some clout. No doubt his capacity, qualities and expertise will eventually turn the

employees around and make them accept the CEO as his natural leader. Employees of any corporation will require their CEO or any leader earn their respect. So do investors. The Superior CEO knows, he must prove his tenacity in the everyday scenarios, especially when the CEO is not an inbred corporate man.

**Investment Advice:** Do not invest. In spite of the fact he wins them over, this overall situation is not profitable, thus it is best not to invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to Gather Together all the corporate forces (customers, employees, shareholders) for a common purpose - in spite of suspicions.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the sixth stage of the Gathering Together Time-Space, the CEO (or the employees of a corporation) would like to get together with a group of employees to form a new team, to create a new corporate spirit and to turn the corporation around. In this particular case, however, whatever proposal each party has to offer, will not be appreciated by the other party - in the beginning at least.

**Managerial Advice:** The Superior CEO understands the importance of being patient. He knows suspicions will lead to a period of poor performance because of the lack of harmony in the corporation; however, he also knows that in time, both parties will come to recognize both the merits of joining forces and the profitability they can achieve if they were to work together. He knows that after incurring in losses, they will come together at last.

**Investment Advice:** Do not invest

## **MANAGERIAL CASES**

### **Wal-Mart Stores Inc. WMT under CEO Mike Duke**

Mike Duke's Performance:	ROI= 4.41%	Annualized Return= 1.67%
SPY's Performance:	ROI= 34.13%	Annualized Return= 11.92%

Mike Duke became CEO of Wal-Mart in February of 2009. Even though his performance appears as worst that the SPY's, it is relative. Walmart never suffered the dramatic drop the SPY suffered and therefore did not have to recover as dramatically as the SPY recovered from the beginning of 2009 on.

Mike Duke's Performance:	ROI= (5.05%)	Annualized Return= (7.19%)
SPY's Performance:	ROI= (8.17%)	Annualized Return= (11.61%)

His performance above from the beginning of 2011, shows he is holding his own against a strong market correction and an expected recession for 2011.

There are, however, two important points that should concern the investor:

- The line in the second place points to his good fortune and the notion that he will begin to improve his performance.
- The line at the top: **Lamenting and sighing, floods of tears. No blame.** Points to difficult conditions which he will encounter later on. And
- The Moving hexagram is **HEXAGRAM 06 – Sung - Conflict**

Both points underline the difficult times that lie ahead for the Walmart – Mike Duke Time-Space.

## Points the investor should consider:

### 1) THE HEXAGRAM

*HEXAGRAM 45 - Ts'ui - Gathering Together (Massing)*

*This hexagram is related in form and meaning to Pi, HOLDING TOGETHER (8). In the latter, water is over the earth; here a lake is over the earth. But since the lake is a place where water collects, the idea of gathering together is even more strongly expressed here than in the other hexagram. The same idea also arises from the fact that in the present case it is two strong lines (the fourth and the fifth) that bring about the gathering together, whereas in the former case one strong line (the fifth) stands in the midst of weak lines.*

#### *THE JUDGMENT*

*GATHERING TOGETHER.*

*Success.*

*The king approaches his temple.*

*It furthers one to see the great man.*

*This brings success.*

*Perseverance furthers.*

*To bring great offerings creates good fortune.*

*It furthers one to undertake something,*

*The gathering together of people in large communities is either a natural occurrence, as in the case of the family, or an artificial one, as in the case of the state. The family gathers about the father as its head. The perpetuation of this gathering in groups is achieved through the sacrifice to the ancestors, at which the whole clan is gathered together. Through the collective piety of the living members of the family, the ancestors become so integrated in the spiritual life of the family that it cannot be dispersed or dissolved.*

Where men are to be gathered together, religious forces are needed. But there must also be a human leader to serve as the center of the group. In order to be able to bring others together, this leader must first of all be collected within himself. Only collective moral force can unite the world. Such great times of unification will leave great achievements behind them. This is the significance of the great offerings that are made. In the secular sphere likewise there is need of great deeds in the time of GATHERING TOGETHER.

## 2) THE ADVICE

*Over the earth, the lake: The image Of GATHERING TOGETHER.  
Thus the superior man renews his weapons In order to meet the unforeseen.*

*If the water in the lake gathers until it rises above the earth, there is danger of a break-through. Precautions must be taken to prevent this. Similarly where men gather together in great numbers, strife is likely to arise; where possessions are collected, robbery is likely to occur. Thus in the time of GATHERING TOGETHER we must arm promptly to ward off the unexpected. Human woes usually come as a result of unexpected events against which we are not forearmed. If we are prepared, they can be prevented.*

## 3) THE LINES:

Six in the second place means:

*Letting oneself be drawn*

*Brings good fortune and remains blameless.*

*If one is sincere,*

*It furthers one to bring even a small offering.*

*In the time of GATHERING TOGETHER, we should make no arbitrary choice of the way. There are secret forces at work, leading together those who belong together. We must yield to this attraction; then we make no mistakes. Where inner relationships exist, no great preparations and formalities are necessary. People understand one another forthwith, just as the Divinity graciously accepts a small offering if it comes from the heart.*

Six at the top means:

*Lamenting and sighing, floods of tears.*

*No blame.*

*It may happen that an individual would like to ally himself with another, but his good intentions are misunderstood. Then he becomes sad and laments. But this is the right course. For it may cause the other person to come to his senses, so that the alliance that has been sought and so painfully missed is after all achieved.*

## 4) THE MOVING HEXAGRAM

HEXAGRAM 06 – Sung - Conflict



*The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.*

*The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.*

*A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.*

## THE JUDGMENT

*CONFLICT. You are sincere  
And are being obstructed.  
A cautious halt halfway brings good fortune.  
Going through to the end brings misfortune.  
It furthers one to see the great man.  
It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

## THE IMAGE

*Heaven and water go their opposite ways: The image of Conflict.  
Thus in all his transactions the superior man  
Carefully considers the beginning.*

*The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.*

## Adobe Systems Inc. ADBE under CEO Shantanu Narayen

Shantanu Narayen's Performance: ROI= (43.20%)      Annualized Return= (13.91%)  
SPY's Performance:                      ROI= (22.69%)      Annualized Return= ( 6.58%)

Shantanu Narayen became CEO of Adobe in December of 2007. Even though since then, his performance has been much worse than the SPY's, we have to divide his performance in two parts:

- The first part applies to the second line (Good Fortune). That is, he became CEO a few months before the crash of 2008 and he did manage to lead a recovery which was much better than the SPY's.
- The second part applies to what comes after the second line. That is, since April of 2010, when his performance has been much below that of the SPY.

Going forward, there are two important points that should concern the investor:

- The line in the second place: *Letting oneself be drawn Brings good fortune and remains blameless. If one is sincere, It furthers one to bring even a small offering.* Is probably completed because he has been CEO for close to 7 years.
- The Moving hexagram is **HEXAGRAM 47 - K'un - Oppression (Exhaustion)**

Both points underline the difficult times that lie ahead for the Adobe - Shantanu Narayen Time-Space.

### Points the investor should consider:

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six in the second place means:

*Letting oneself be drawn*

*Brings good fortune and remains blameless.*

*If one is sincere,*

*It furthers one to bring even a small offering.*

*In the time of GATHERING TOGETHER, we should make no arbitrary choice of the way. There are secret forces at work, leading together those who belong together. We must yield to this attraction; then we make no mistakes. Where inner relationships exist, no great preparations and formalities are necessary. People understand one another forthwith, just as the Divinity graciously accepts a small offering if it comes from the heart.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 47 - K'un - Oppression (Exhaustion)

*The lake is above, water below; the lake is empty, dried up. (1) Exhaustion is expressed in yet another way: at the top, a dark line is holding down two light lines; below, a light line is hemmed in between two dark ones. The upper trigram belongs to the principle of darkness, the lower to the principle of light. Thus everywhere superior men are oppressed and held in restraint by inferior men.*

#### THE JUDGMENT

OPPRESSION.

Success.

Perseverance.

*The great man brings about good fortune.*

No blame.

*When one has something to say,*

*It is not believed.*

*Times of adversity are the reverse of times of success, but they can lead to success if they befall the right man. When a strong man meets with adversity, he remains cheerful despite all danger, and this cheerfulness is the source of later successes; it is that stability which is stronger than fate. He who lets his spirit be broken by exhaustion certainly has no success. But if adversity only bends a man, it creates in him a power to react that is bound in time to manifest itself. No inferior man is capable of this. Only the great man brings about good fortune and remains blameless. It is true that for the time being outward influence is denied him, because his words have no effect. Therefore in times of adversity it is important to be strong within and sparing of words.*

#### THE IMAGE

*There is no water in the lake:*

*Thus the superior man stakes his life*

*On following his will.*

*When the water has flowed out below, the lake must dry up and become exhausted. That is fate. This symbolizes an adverse fate in human life. In such times there is nothing a man can do but acquiesce in his fate and remain true to himself. This concerns the deepest stratum of his being, for this alone is superior to all external fate.*

## **46 PUSHING UPWARD**

### **MANAGERIAL ISSUE:**

The CEO – managing a Pushing Upwards (efforts to grow) strategy.

#### **Hexagram 46 – The Pushing Upwards Time – Space:**

- 1) Corresponds to a time for the corporation to grow based on effort.
- 2) *Indicates rather a vertical ascent - direct rise from obscurity and lowliness to power and influence.*
- 3) *Encounters no obstruction and is therefore accompanied by great success.*
- 4) *Is made possible not by violence but by modesty and adaptability.*

#### **This is a time to:**

- 1) Grow or expand by opening more branches or plants or franchises, such as the case of McDonald's, or
- 2) Integrate with other corporations either vertically or horizontally.

Only then will this corporation become well known and take its place as the leader of the industry.

### **MANAGERIAL LESSON:**

- 1) The Superior CEO knows a Pushing Upward Time – Space requires:
  - a) Work - it is not just Heaven sent.
  - b) Strategy – a deliberate pushing upwards strategy.
  - c) Effort - of all the employees and especially of management to establish the right strategies.

Success will come but only through effort. The Superior CEO knows that if he and his team do their homework, then and only then will they turn this corporation into a profitable one because the times are very propitious for growth. Heaven helps those who help themselves.

- 2) The Superior CEO knows the key elements to follow during the Pushing Upward Time-Space are:
  - a) Flexibility,
  - b) Humility, and
  - c) The imperative need to gather around him men of experience and talent.

If the CEO manages that, then success is assured because the Pushing Upward Time – Space is favorable.

## **INVESTMENT ADVICE:**

For the investor, the Pushing Upwards Time-Space represents in general terms a positive environment for investing.

By itself (no lines) Pushing Upwards points to Supreme Success provided the CEO is humble. He has the Mandate of Heaven.

*PUSHING UPWARD  
has supreme success.  
One must see the great man.  
Fear not.  
Departure toward the south  
Brings good fortune.*

*The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*

Out of the six lines, one is Great Good Fortune, two are Good Fortune and none are too negative. That is, in most cases the CEO is able to manage the Pushing Upward Time-Space properly.

The following cases are those of corporations under the Pushing Upwards Time-Space:

- **Teva Pharmaceutical Ind. Ltd. TEVA under CEO Shlomo Yanai**
- **VMware, Inc. VMW under CEO Paul A. Maritz**
- **Expedia Inc. EXPE under CEO Dara Khosrowshahi**
- **Gilead Sciences Inc. GILD under CEO John C. Martin**
- **Amgen Inc. AMGN under CEO Kevin W. Sharer**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy - struggling with its beginning.

**Managerial Lesson:** Be tenacious.

**Managerial Warning:** At the first stage of the Pushing Upward Time-Space, the CEO finds that in the beginning of the Pushing Upwards motion, the strength to grow must come from the corporation itself and not from outside help such as the commercial bankers or the investment bankers.

**Managerial Warning:** The Superior CEO knows that a corporation must have a real desire to grow if it wants to survive and accomplish its goal in the end. That is, both: the desire to grow and the will power to survive represent inner qualities which no one else can provide. If the corporation shows it has the will to survive and the inner strength to grow, then the market and eventually the investment bankers will also accept them.

**Investment Advice:** Invest. The I Ching says *“Pushing upward that meets with confidence Brings Great Good Fortune”*.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy - failing to attract supporters due to lack of finesse.

**Managerial Lesson:** Be gracious.

**Managerial Warning:** At the second stage of the Pushing Upward Time-Space, the CEO finds the corporation has the strong will to survive but lacks the finesse to attract investors. This is the typical case of a genius with a revolutionary product but caring little for anyone else’s opinion.

**Managerial Warning:** The Superior CEO knows that, if the market shows a real great acceptance for the corporation’s product and if the corporation has shown a strong will to survive, it will surely find the right investors. This has been the case of many corporations (Apple) in its beginnings.

**Investment Advice:** Do not invest

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy – at a fortuitous time.

**Managerial Lesson:** Be timely.

**Managerial Warning:** At the third stage of the Pushing Upward Time-Space, the CEO finds the corporation favored by a time when fate intervenes and creates the proper conditions for success.

**Managerial Warning:** The Superior CEO knows that favorable conditions, even if Heavenly ordained, will eventually come to an end. It is only a matter of time. There is no guarantee such conditions will last. Therefore, he makes the most of it and fulfills Heaven's Mandate.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy – honoring those who helped him in his efforts.

**Managerial Lesson:** Be honorable.

**Managerial Warning:** At the fourth stage of the Pushing Upward Time-Space, the CEO honors those who helped him turn his dream into a reality.

**Managerial Warning:** The Superior CEO knows that he owes the turning of his dreams into realities to the assistance of able and loyal helpers (e.g. that is the case of Jobs, Gates, Ellison, etc.). And because he owes the success of the corporation to these able helpers, he wisely bestows all honors upon them. The Superior CEO knows (particularly in the case of a startup corporation) that by recognizing the merit of his helpers, he will, in turn, receive all the honors from society and its leaders. Honor your loyal helpers that society may honor you in turn.

**Investment Advice:** Invest. The I Ching says: "*Good Fortune*".

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy – success and its dangers.

**Managerial Lesson:** Be sober.

**Managerial Warning:** At the fifth stage of the Pushing Upward Time-Space, the CEO faces one of the most critical periods of a corporation. Once success is achieved, there is a tremendous pressure to relax rather than look over your shoulder, as Andy Grove of Intel would say. This is where the corporation can fail.

**Managerial Warning:** The Superior CEO recognizes all dangers and in particular the danger associated with success. Therefore, he keeps on his task and thereby does not allow success to lead him in the wrong direction. He knows the role of the CEO is to keep the right attitude and to remain humble after successfully leading his corporation.

**Investment Advice:** Invest. The I Ching says:” *Perseverance brings Good Fortune*”.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing a Pushing Upwards (efforts to grow) strategy – easing up.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the sixth stage of the Pushing Upward Time-Space, the CEO faces exhaustion from pushing upward all the time.

**Managerial Warning:** The Superior CEO recognizes everything has limits. He knows when to push and when to rest. He knows that this is the time to ease up on any aggressive expansion policy and that to continue to push will result in a corporate burn out.

The CEO should think out of the box. As an alternative, he might turn the corporation in another direction, much as Andy Grove did when he turned Intel from a memory company to a chip company, and even considered turning his company into a communications company. Only the proper shift at the proper time will avoid a sure fall. A well thought out plan will prevent the slightest whim to take over control. This is a lesson for any CEO who thinks he can only push his corporation forward doing more and more of the same only.

**Investment Advice:** Do not invest

## **MANAGERIAL CASES**

### **Teva Pharmaceutical Ind. Ltd. TEVA under CEO Shlomo Yanai**

Shlomo Yanai's Performance:	ROI= 3.24%	Annualized Return= 0.71%
SPY's Performance:	ROI= (16.08%)	Annualized Return= (5.09%)

Shlomo Yanai became CEO of Teva Pharmaceutical in March of 2007. Since then, his performance would appear better than the SPY's; however, looking at it closely, we can see that as of September of 2010 he has been underperforming the SPY substantially.



There are, however, two points that should concern the investor:

- The line at the top: promises good fortune which means he will do well in the end.
- The Moving hexagram **The Arousing (Shock, Thunder)** would mean the corporation could go through quite a period of turbulence.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*Hexagram 46 – Sheng - Pushing Upward*

*The lower trigram, Sun, represents wood, and the upper, K'un, means the earth. Linked with this is the idea that wood in the earth grows upward. In contrast to the meaning of Chin, PROGRESS (35), this pushing upward is associated with effort, just as a plant needs energy for pushing upward through the earth. That is why this hexagram, although it is connected with success, is associated with effort of the will. In PROGRESS the emphasis is on expansion; PUSHING UPWARD indicates rather a vertical ascent - direct rise from obscurity and lowliness to power and influence.*

*THE JUDGMENT*

*PUSHING UPWARD*

*has supreme success.*

*One must see the great man.*

*Fear not.*

*Departure toward the south*

*Brings good fortune.*

*The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*

### **2) THE ADVICE**

*Within the earth, wood grows: The image of PUSHING UPWARD.*

*Thus the superior man of devoted character*

*Heaps up small things*

*In order to achieve something high and great.*

*Adapting itself to obstacles and bending around them, wood in the earth grows upward without haste and without rest. Thus too the superior man is devoted in character and never pauses in his progress.*

### **3) THE LINES:**

#### Six at the beginning means:

*Pushing upward that meets with confidence  
Brings great good fortune.*

*This is the situation at the beginning of ascent. Just as wood draws strength for its upward push from the root, which in itself is in the lowest place, so the power to rise comes from this low and obscure station. But there is a spiritual affinity with the rulers above, and this solidarity creates the confidence needed to accomplish something.*

#### Nine in the second place means:

*If one is sincere,  
It furthers one to bring even a small offering.  
No blame.*

*Here a strong man is presupposed. It is true that he does not fit in with his environment, inasmuch as he is too brusque and pays too little attention to form. But as he is upright in character, he meets with response, and his lack of outward form does no harm. Here uprightness is the outcome of sound qualities of character, whereas in the corresponding line of the preceding hexagram it is the result of innate humility.*

#### Nine in the third place means:

*One pushes upward into an empty city,*

*All obstructions that generally block progress fall away here. Things proceed with remarkable ease. Unhesitatingly one follows this road, in order to profit by one's success. Seen from without, everything seems to be in the best of order. However, no promise of good fortune is added. It is a question how long such unobstructed success can last. But it is wise not to yield to such misgivings, because they only inhibit one's power. Instead, the point is to profit by the propitiousness of the time.*

#### Six in the fourth place means:

*The king offers him Mount Ch'i.  
Good fortune.  
No blame.*

*Mount Ch'i is in western China, the homeland of King Wen, whose son, the Duke of Chou, added the words to the individual lines. The pronouncement takes us back to a time when the Chou dynasty was coming into power. At that time King Wen introduced his illustrious helpers to the god of his native mountain, and they received their places in the halls of the ancestors by the side of the ruler. This indicates a stage in which pushing upward attains its goal. One*

*acquires fame in the sight of gods and men, is received into the circle of those who foster the spiritual life of the nation, and thereby attains a significance that endures beyond time.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 51 – Chen - The Arousing (Shock, Thunder)*

*The hexagram Chen represents the eldest son, who seizes rule with energy and power. A yang line develops below two yin lines and presses upward forcibly. This movement is so violent that it arouses terror. It is symbolized by thunder, which bursts forth from the earth and by its shock causes fear and trembling.*

#### *THE JUDGMENT*

*Shock brings success.  
Shock comes-oh, oh!  
Laughing words-ha, ha!  
The shock terrifies for a hundred miles,  
And he does not let fall the sacrificial spoon and chalice.*

*The shock that comes from the manifestation of God within the depths of the earth makes man afraid, but this fear of God is good, for joy and merriment can follow upon it.*

*When a man has learned within his heart what fear and trembling mean, he is safeguarded against any terror produced by outside influences. Let the thunder roll and spread terror a hundred miles around: he remains so composed and reverent in spirit that the sacrificial rite is not interrupted. This is the spirit that must animate leaders and rulers of men - a profound inner seriousness from which all outer terrors glance off harmlessly.*

#### *THE IMAGE*

*Thunder repeated: the image of SHOCK.  
Thus in fear and trembling  
The superior man sets his life in order  
And examines himself.*

*The shock of continuing thunder brings fear and trembling. The superior man is always filled with reverence at the manifestation of God; he sets his life in order and searches his heart, lest it harbor any secret opposition to the will of God. Thus reverence is the foundation of true culture.*

## VMware, Inc. VMW under CEO Paul A. Maritz

Paul A. Maritz's Performance:	ROI= 135.91%	Annualized Return= 30.88%
SPY's Performance:	ROI= (14.37%)	Annualized Return= (4.99%)

Paul A. Maritz became CEO of VM Ware in July of 2008. Since then, his performance has been substantially better than the SPY's;

Going forward, the investor should consider:

- The line promises good fortune and a warning: *it is important for him not to become intoxicated by success. Precisely when he experiences great success it is necessary to remain sober and not to try to skip any stages; he must go on slowly, step by step, as though hesitant. Only such calm, steady progress, overleaping nothing, leads to the goal* That is, if he has any aggressive expansion plans, he should not assume that he will succeed in the future new projects as in the past. Assuming success will only lead to errors.
- The Moving hexagram is **The Well** which is positive.

### Points the investor should consider:

#### 1) THE HEXAGRAM

(Same as Above).

#### 2) THE ADVICE

(Same as Above).

#### 3) THE LINES:

Six in the fifth place means:  
*Perseverance brings good fortune.*  
*One pushes upward by steps.*

*When a man is advancing farther and farther, it is important for him not to become intoxicated by success. Precisely when he experiences great success it is necessary to remain sober and not to try to skip any stages; he must go on slowly, step by step, as though hesitant. Only such calm, steady progress, overleaping nothing, leads to the goal.*

#### 4) THE MOVING HEXAGRAM

HEXAGRAM 48 – Ching - The Well

*Wood is below, water above. The wood goes down into the earth to bring up water. The image derives from the pole-and-bucket well of ancient China. The wood represents not the buckets, which in ancient times were made of clay, but rather the wooden poles by which the water is hauled up from the well. The image also refers to the world of plants, which lift water out of the earth by means of their fibers.*

*The well from which water is drawn conveys the further idea of an inexhaustible dispensing of nourishment.*

## THE JUDGMENT

### THE WELL.

*The town may be changed,  
But the well cannot be changed.  
It neither decreases nor increases.  
They come and go and draw from the well.  
If one gets down almost to the water  
And the rope does not go all the way,  
Or the jug breaks, it brings misfortune.*

*In ancient China the capital cities were sometimes moved, partly for the sake of more favorable location, partly because of a change in dynasties. The style of architecture changed in the course of centuries, but the shape of the well has remained the same from ancient times to this day. Thus the well is the symbol of that social structure which, evolved by mankind in meeting its most primitive needs, is independent of all political forms. Political structures change, as do nations, but the life of man with its needs remains eternally the same - this cannot be changed. Life is also inexhaustible. It grows neither less nor more; it exists for one and for all. The generations come and go, and all enjoy life in its inexhaustible abundance.*

*However, there are two prerequisites for a satisfactory political or social organization of mankind. We must go down to the very foundations of life. For any merely superficial ordering of life that leaves its deepest needs unsatisfied is as ineffectual as if no attempt at order had ever been made. Carelessness - by which the jug is broken - is also disastrous. If for instance the military defense of a state is carried to such excess that it provokes wars by which the power of the state is annihilated, this is a breaking of the jug.*

*This hexagram applies also to the individual. However men may differ in disposition and in education, the foundations of human nature are the same in everyone. And every human being can draw in the course of his education from the inexhaustible wellspring of the divine in man's nature. But here likewise two dangers threaten: a man may fail in his education to penetrate to the real roots of humanity and remain fixed in conventions partial education of this sort is as bad as none or he may suddenly collapse and neglect his self-development.*

## THE IMAGE

*Water over wood: the image of THE WELL.  
Thus the superior man encourages the people at their work,  
And exhorts them to help one another.*

The trigram Sun, wood, is below, and the trigram K'an, water, is above it. Wood sucks water upward. Just as wood as an organism imitates the action of the well, which benefits all parts of the plant, the superior man organizes human society, so that, as in a plant organism, its parts cooperate for the benefit of the whole.

## Expedia Inc. EXPE under CEO Dara Khosrowshahi

Khosrowshahi's Performance:	ROI= 25.87%	Annualized Return= 3.83%
SPY's Performance:	ROI= (3.87%)	Annualized Return= (0.64%)

Dara Khosrowshahi became CEO of Expedia in August of 2005. Since then, his performance has been better than the SPY's;

Going forward, the investor should consider:

- The first line points to Good Fortune and has a positive comment: *This indicates a stage in which pushing upward attains its goal*
- The second line contains a recommendation *It furthers one to be unremittingly persevering.* And a warning: *He who pushes upward blindly deludes himself. He knows only advance, not retreat. But this means exhaustion. In such a case it is important to be constantly mindful that one must be conscientious and consistent and must remain so. Only thus does one become free of blind impulse, which is always harmful.* That is, if he has any aggressive expansion plans, he should slow down.
- The Moving hexagram is **The Caldron** which is very positive.

### Points the investor should consider:

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six in the fourth place means:  
The king offers him Mount Ch'i.  
Good fortune.  
No blame.*

Mount Ch'i is in western China, the homeland of King Wen, whose son, the Duke of Chou, added the words to the individual lines. The pronouncement takes us back to a time when the Chou dynasty was coming into power. At that time King Wen introduced his illustrious helpers to the god of his native mountain, and they received their places in the halls of the ancestors by the side of the ruler. This indicates a stage in which pushing upward attains its goal. One acquires fame in the sight of gods and men, is received into the circle of those who foster the spiritual life of the nation, and thereby attains a significance that endures beyond time.

Six at the top means:

*Pushing upward in darkness.*

*It furthers one to be unremittingly persevering.*

*He who pushes upward blindly deludes himself. He knows only advance, not retreat. But this means exhaustion. In such a case it is important to be constantly mindful that one must be conscientious and consistent and must remain so. Only thus does one become free of blind impulse, which is always harmful.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 50 – Ting - The Caldron

*The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting, as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

THE JUDGMENT

THE CALDRON.

*Supreme good fortune.*

*Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.

## THE IMAGE

*Fire over wood: The image of THE CALDRON.  
Thus the superior man consolidates his fate  
By making his position correct.*

*The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing. These words contain hints about the fostering of life as handed on by oral tradition in the secret teachings of Chinese yoga,*

## Gilead Sciences Inc. GILD under CEO John C. Martin

John Martin's Performance:	ROI= 1896.22%	Annualized Return= 21.36%
SPY's Performance:	ROI= 81.57%	Annualized Return= 3.93%

John C. Martin became CEO of Gilead Sciences in April of 1996. He has been CEO for a long time and since then, his performance has been substantially better than the SPY's;

Because he has been CEO for so long, it is important to ask the Oracle once again about his future performance. Going forward, the investor should consider:

- The third line points not to Good Fortune but to the propitiousness of the times and to make the most of it:
  - The condition: *All obstructions that generally block progress fall away here. Things proceed with remarkable ease. Unhesitatingly one follows this road, in order to profit by one's success. Seen from without, everything seems to be in the best of order. However, no promise of good fortune is added.*
  - The Warning: *It is a question how long such unobstructed success can last. But it is wise not to yield to such misgivings, because they only inhibit one's power. Instead, the point is to profit by the propitiousness of the time.*
- The Moving hexagram is **The Army** which, even though includes an element of danger, can be positive if the proper leader leads the Army.



## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the third place means:*

*One pushes upward into an empty city,*

*All obstructions that generally block progress fall away here. Things proceed with remarkable ease. Unhesitatingly one follows this road, in order to profit by one's success. Seen from without, everything seems to be in the best of order. However, no promise of good fortune is added. It is a question how long such unobstructed success can last. But it is wise not to yield to such misgivings, because they only inhibit one's power. Instead, the point is to profit by the propitiousness of the time.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 07 – Shih - The Army*

*This hexagram is made up of the trigrams K'an, water, and K'un, earth, and thus, it symbolizes the ground water stored up in the earth. In the same way military strength is stored up in the mass of the people - invisible in times of peace but always ready for use as a source of power. The attributes of the two trigrams are danger inside and obedience outside. This points to the nature of an army, which at the core is dangerous, while discipline and obedience must prevail outside.*

*Of the individual lines, the one that controls the hexagram is the strong nine in the second place to which the other lines, all yielding, are subordinate. This line indicates a commander, because it stands in the middle of one of the two trigrams. But since it is in the lower rather than the upper trigram, it represents not the ruler but the efficient general, who maintains obedience in the army by his authority.*

*THE JUDGMENT*

*THE ARMY.*

*The army needs perseverance*

*And a strong man.*

*Good fortune without blame.*

*An army is a mass that needs organization in order to become a fighting force. Without strict discipline nothing can be accomplished, but this discipline must not be achieved by force. It requires a strong man who captures the hearts of the people and awakens their enthusiasm. In order that he may develop his abilities he needs the complete confidence of his ruler, who must entrust him with full responsibility as long as the war lasts. But war is always a dangerous thing and brings with it destruction and devastation. Therefore it should not be resorted to rashly but, like a poisonous drug, should be used as a last recourse.*

*The justifying cause of a war, and clear and intelligible war aims, ought to be explained to the people by an experienced leader. Unless there is a quite definite war aim to which the people can consciously pledge themselves, the unity and strength of conviction that lead to victory will not be forth coming. But the leader must also look to it that the passion of war and the delirium of victory do not give rise to unjust acts that will not meet with general approval. If justice and perseverance are the basis of action, all goes well.*

### THE IMAGE

*In the middle of the earth is water: The image of THE ARMY.  
Thus the superior man increases his masses  
By generosity toward the people.*

*Ground water is invisibly present within the earth. In the same way the military power of a people is invisibly present in the masses. When danger threatens, every peasant becomes a soldier; when the war ends, he goes back to his plow. He who is generous toward the people wins their love, and a people living under a mild rule becomes strong and powerful. Only a people economically strong can be important in military power. Such power must therefore be cultivated by improving the economic condition of the people and by humane government. Only when there is this invisible bond between government and people, so that the people are sheltered by their government as ground water is sheltered by the earth, is it possible to wage a victorious war.*

## **Amgen Inc. AMGN under CEO Kevin W. Sharer**

Kevin Sharer's Performance:	ROI= (7.00%)	Annualized Return= (0.64%)
SPY's Performance:	ROI= (16.50%)	Annualized Return= (1.57%)

Kevin W. Sharer became CEO of Amgen in May 2000. Since then, his performance has been nothing special.

Because he has been CEO for more than a decade, it is important to ask the Oracle once again about his future performance. Going forward, the investor should consider:

- The Judgment points to supreme success.
  - The condition: *The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances.*
  - The Warning: *He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*
- The Moving hexagram – there is no Moving Hexagram which means the Judgment applies entirely to his Time-Space.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

There are no moving lines.

### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. Therefore the Judgment becomes the focus point.

#### *THE JUDGMENT*

#### *PUSHING UPWARD*

*has supreme success.*

*One must see the great man.*

*Fear not.*

*Departure toward the south*

*Brings good fortune.*

*The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.*

## **47 OPPRESSION** **(EXHAUSTION)**

### **MANAGERIAL ISSUE:**

The CEO – managing Oppression / exhaustion / adversities - with the right attitude.

Hexagram 47 refers to a trying time for the corporation, a time for oppression or exhaustion. The image is that of a dried lake. This condition is Heaven sent – part of the cycles. Fate has ordained it and there is little the CEO or his assistants can do to avoid the Oppression – Time Space from coming. Yet, like a captain in a storm, the CEO can actually sail the corporation out of danger. The times might be negative but not so negative that there is no way out provided a Superior CEO is in charge.

This is a time to both:

- 1) Recognize the danger the corporation is in. And
- 2) Apply the proper attitude to overcome it.

The I Ching says:

- **DANGER:** *“everywhere superior men are oppressed and held in restraint by inferior men.”*
- **ATTITUDE:** *“he remains cheerful despite all danger. He who lets his spirit be broken by exhaustion certainly has no success”.*

### **MANAGERIAL LESSON:**

The Superior CEO knows:

- 1) He is the only one who can take the corporation out of the storm, and
- 2) The key to do it is through his personal attitude.

The Superior CEO must:

- 1) View these times as an opportunity. He recognizes he can take advantage of even the worst of times to move his corporation to an even higher ground. This is a time that will test the CEO's character. The world will know the kind of man he is.
- 2) Be of good cheer throughout this storm. He knows a positive attitude is the only way to overcome whatever fate dishes out at him. This is excellent advice for the CEOs as well as

for everyone else. It is a fact that people, who always look at the bright side of things or see the glass half full, like Ronald Reagan, will always do better than those who see the glass half empty. Think of Gates facing the Justice Department in the antitrust case. Think of Andy Grove when the Pentium first came out and users found problems with it. It looked like the end for Intel, yet the CEO weathered the storm and made the corporation even stronger. As an ex Citi-banker, I remember when John Reed was CEO and he faced two consecutive write-offs of over two billion each for bad loans, one related to the third world countries and the other related to the real estate projects. The price of the stock went from \$ 65 to \$ 9. It looked like the end of Citicorp. Yet he weathered the storm with the right positive attitude and turned Citibank into an even stronger bank. Until Sandy Weill's wild ambition almost destroyed it.

- 3) Combine it all. The Superior CEO combines his strength of character with a cheerful attitude, and with properly chosen words to save his corporation from any adverse events. Only a Superior CEO can do this.
- 4) Be tenacious. Above all, this is the lesson of Job, who not matter what GOD dished out at him never lost his faith and was always thankful for all he had.
- 5) Say few words.

### **INVESTMENT ADVICE:**

For the investor, the Oppression Time-Space represents in general terms is a negative environment for investing.

By itself (no lines), the Oppression points to the possibility of success provided the BOD chooses the right CEO.

*OPPRESSION.*

*Success.*

*Perseverance.*

*The great man brings about good fortune.*

*No blame.*

*When one has something to say,*

*It is not believed.*

*Times of adversity are the reverse of times of success, but they can lead to success if they befall the right man. When a strong man meets with adversity, he remains cheerful despite all danger, and this cheerfulness is the source of later successes; it is that stability which is stronger than fate. He who lets his spirit be broken by exhaustion certainly has no success. But if adversity only bends a man, it creates in him a power to react that is bound in time to manifest itself. No inferior man is capable of this. Only the great man brings about good fortune and remains blameless. It is true that for the time being outward influence is denied him, because his words have no effect. Therefore in times of adversity it is important to be strong within and sparing of words.*

Out of the six lines, only one has possibilities of Good Fortune because it is at the end of the period of oppression.

The following cases are those of corporations under the Oppression Time-Space:

- **Monsanto (MON) under CEO Hugh Grant**
- **CH Robinson Worldwide Inc. CHRW under CEO John P. Wiehoff**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing Oppression – failing because of delusion.

**Managerial Lesson:** Be true.

**Managerial Warning:** At the first stage of the Oppression Time-Space, the CEO is bound to fail because he has the wrong attitude. He is fooling himself. He wants to believe that his corporation's name alone will make things right. When things go wrong, he will become depressed and contaminate the employees with this attitude. Such were the cases of IBM and ATT when their CEOs thought there was no need to improve their products because the corporate brand was all that was needed. Only a change of CEO can save this corporation.

**Managerial Advice:** the Superior CEO conquers himself first. He knows it is a matter of attitude – he must fight his inner battle and win it even before he goes out to fight the corporate battle.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing Oppression – when all “appears” to be going well externally.

**Managerial Lesson:** Be open.

**Managerial Warning:** At the second stage of the Oppression Time-Space, the CEO sees very serious troubles ahead for his profitable corporation. Exhaustion is causing the wrong corporate attitude.

**Managerial Advice:** The Superior CEO is patient and looks for able assistants. He knows he cannot face all the troubles ahead by himself, and the assistants he has at the moment cannot

provide him the kind of help he needs. He looks for helpers who will infuse the proper winning spirit into the corporation because the corporation is sick of the spirit; it needs a renewal, a fresh look at its mission more than an internal restructuring.

This was Andy Grove's drastic change of Intel from a memory to a processor corporation. The Superior CEO will find help if he looks for it because the times are proper for it. But he must keep the cheerful attitude that is a must for success. If the CEO is spiritual, he will understand when the I Ching advises him:

*"Therefore it is important to meet these obstructions in the invisible realm by offerings and prayer"*

**Investment Advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing Oppression – failing by restlessness and lack of focus.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the third stage of the Oppression Time-Space, the CEO finds his corporation faces a terrible position because of compounding errors:

- First, because of his wrong attitude (restlessness and indecisiveness) in dealing with the corporation's problems, he lets go of an opportunity to fix what was wrong.
- Second, he tries to deal with the problem directly rather than going around it, knowing full well that the obstacle is too strong.
- Third, and to make matters worse, he takes the corporation down the wrong path, launching the wrong services and the wrong products and wasting precious resources and time, and
- Fourth, when he sees that nothing works, he tries to find refuge by turning back the corporation to its original condition. By then his corporation is about to go belly up and he is surely to be fired.

**Managerial Advice:** The Superior CEO knows well ahead of time that if he does not have the right mental attitude to deal with the troubles ahead, the best he can do is quit with dignity and let someone else do the job. Otherwise, he will surely face a disgraceful end.

**Investment Advice:** Do not invest.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing Oppression – cultivating the right attitude to help the needy.

**Managerial Lesson:** Be responsible.

**Managerial Warning:** At the fourth stage of the Oppression Time-Space, the CEO finds he would like to get involved in the social responsibilities of the corporation but his own lack of resolution or wrong social attitude keeps him away from such responsibilities. The problem is he has surrounded himself with wealthy friends who prevent him from implementing his social responsibilities and thereby get him into trouble. Luckily, in this particular case, the CEO has enough strength of character to overcome his hesitation and do what is right.

**Managerial Advice:** The Superior CEO knows his social responsibilities both internal and external and does not allow anyone to keep him away from them.

**Investment Advice:** Do not invest.

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing Oppression – practicing charity to renew his spirit.

**Managerial Lesson:** Be spiritual.

**Managerial Warning:** At the fifth stage of the Oppression Time-Space, the CEO finds a most difficult time. He lacks the support of the Board of Directors and has no able assistants to count on. This is caused by Heaven and he must look up to Heaven to correct it.

**Managerial Advice:** The Superior CEO recognizes this is a time to look for his own spirituality or religion. Whatever his personal beliefs, he knows this is a time for looking inward, to reconcile with GOD, and to do charity works.

In this particular case, such acts will bring about the right attitude and salvation for the corporation.

Some could argue that this is a time for reviewing the corporation's mission, but this would appear to be a more spiritual theme - one that requires a spiritual approach.

The I Ching says: *“he should turn to God, firm in his inner composure, and pray and offer sacrifice for the general well-being.”*

**Investment Advice:** Do not invest.



## SIX IN THE SIXTH PLACE

**Managerial Issue:** The CEO – managing Oppression - the CEO's doubts and fears of failure.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the sixth stage of the Oppression Time-Space, the CEO finds that the Oppression has weakened and that he can overcome it provided he does not let his fears make him waver in his decisions.

**Managerial Advice:** The Superior CEO knows that fears of failure are not only his own worst enemies but that they are also man's worst enemy. He knows that to master the Oppression, he must:

- *Grasp the situation,*
- *Change this mental attitude,*
- *Make a firm decision,*

Only then can he stop wavering from his decision making function, boldly strike at the heart of the problem and overcome the adversities.

**Investment Advice:** Invest (if you must). Look for a better investment.

## MANAGERIAL CASES

### **Monsanto (MON) under CEO Hugh Grant**

Hugh Grant's Performance:	ROI= 652.28%	Annualized Return= 27.22%
SPY's Performance:	ROI= 27.17%	Annualized Return= 2.91%

Hugh Grant became CEO of Monsanto in May of 2003. Since then, his performance has been that of a Superior CEO compared to the SPY's.

However, because he has been CEO for almost a decade, we have to ask the Oracle once more about his future Time-Space.

Going forward as of 2011, his performance has not been better than the SPY's as he is encountering the Oppression Time-Space.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

HEXAGRAM 47 - K'un - Oppression (Exhaustion)

*The lake is above, water below; the lake is empty, dried up. (1) Exhaustion is expressed in yet another way: at the top, a dark line is holding down two light lines; below, a light line is hemmed in between two dark ones. The upper trigram belongs to the principle of darkness, the lower to the principle of light. Thus everywhere superior men are oppressed and held in restraint by inferior men.*

#### THE JUDGMENT

OPPRESSION.

Success.

Perseverance.

*The great man brings about good fortune.*

No blame.

*When one has something to say,*

*It is not believed.*

*Times of adversity are the reverse of times of success, but they can lead to success if they befall the right man. When a strong man meets with adversity, he remains cheerful despite all danger, and this cheerfulness is the source of later successes; it is that stability which is stronger than fate. He who lets his spirit be broken by exhaustion certainly has no success. But if adversity only bends a man, it creates in him a power to react that is bound in time to manifest itself. No inferior man is capable of this. Only the great man brings about good fortune and remains blameless. It is true that for the time being outward influence is denied him, because his words have no effect. Therefore in times of adversity it is important to be strong within and sparing of words.*

### **2) THE ADVICE**

*There is no water in the lake:*

*Thus the superior man stakes his life*

*On following his will.*

*When the water has flowed out below, the lake must dry up and become exhausted. That is fate. This symbolizes an adverse fate in human life. In such times there is nothing a man can do but acquiesce in his fate and remain true to himself. This concerns the deepest stratum of his being, for this alone is superior to all external fate.*

### 3) THE LINES:

*Six at the top means:*

*He is oppressed by creeping vines.*

*He moves uncertainly and says, "Movement brings remorse."*

*If one feels remorse over this and makes a start,*

*Good fortune Comes.*

*A man is oppressed by bonds that can easily be broken. The distress is drawing to an end. But he is still irresolute; he is still influenced by the previous condition and fears that he may have cause for regret if he makes a move. But as soon as he grasps the situation, changes this mental attitude, and makes a firm decision, he masters the oppression.*

### 4) THE MOVING HEXAGRAM

*HEXAGRAM 06 – Sung - Conflict*

*The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.*

*The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.*

*A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.*

#### *THE JUDGMENT*

*CONFLICT. You are sincere*

*And are being obstructed.*

*A cautious halt halfway brings good fortune.*

*Going through to the end brings misfortune.*

*It furthers one to see the great man.*

*It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

### **THE IMAGE**

*Heaven and water go their opposite ways: The image of Conflict.  
Thus in all his transactions the superior man  
Carefully considers the beginning.*

*The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.*

## **CH Robinson Worldwide Inc. CHRW under CEO John P. Wiehoff**

John Wiehoff's Performance:	ROI= 325.99%	Annualized Return= 16.71%
SPY's Performance:	ROI= 12.75%	Annualized Return= 1.29%

John P. Wiehoff became CEO of CH Robinson Worldwide in May of 2002. Since then, his performance has been much better than the SPY's.

However, because he has been CEO for almost a decade, we have to ask the Oracle once more about his future Time-Space.

Going forward as of 2011, his performance has been worse than the SPY's as he is encountering the Oppression Time-Space.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the fourth place means:*

*He comes very quietly, oppressed in a golden carriage.  
Humiliation, but the end is reached.*

*A well-to-do man sees the need of the lower classes and would like very much to be of help. But instead of proceeding with speed and energy where there is need, he begins in a hesitant and measured way. Then he encounters obstructions. Powerful and wealthy acquaintances draw him into their circle; he has to do as they do and cannot withdraw from them. Hence he finds himself in great embarrassment. But the trouble is transitory. The original strength of his nature offsets the mistake he has made, and the goal is reached.*

*Six at the top means:*

*He is oppressed by creeping vines.  
He moves uncertainly and says, "Movement brings remorse."  
If one feels remorse over this and makes a start,  
Good fortune Comes.*

*A man is oppressed by bonds that can easily be broken. The distress is drawing to an end. But he is still irresolute; he is still influenced by the previous condition and fears that he may have cause for regret if he makes a move. But as soon as he grasps the situation, changes this mental attitude, and makes a firm decision, he masters the oppression.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 59 – Huan - Dispersion (Dissolution)*

*Wind blowing over water disperses it, dissolving it into foam and mist. This suggests that when a man's vital energy is dammed up within him (indicated as a danger by the attribute of the lower trigram), gentleness serves to break up and dissolve the blockage.*

*THE JUDGMENT*

*Dispersion,  
Success.  
The king approaches his temple.  
It furthers one to cross the great water.  
Perseverance furthers.*

*The text of this hexagram resembles that of Ts'ui, GATHERING TOGETHER (45). In the latter, the subject is the bringing together of elements that have been separated, as water collects in lakes upon the earth. Here the subject is the dispersing and dissolving of divisive egotism. DISPERSION shows the way, so to speak, that leads to gathering together. This explains the similarity of the two texts.*

*Religious forces are needed to overcome the egotism that divides men. The common celebration of the great sacrificial feasts and sacred rites, which gave expression simultaneously to the interrelation and social articulation of family and state, was the means employed by the great rulers to unite men. The sacred music and the splendor of the ceremonies aroused a strong tide of emotion that was shared by all hearts in unison, and that awakened a consciousness of the common origin of all creatures. In this way disunity was overcome and rigidity dissolved. A further means to the same end is cooperation in great general undertakings that set a high goal for the will of the people; in the common concentration on this goal, all barriers dissolve, just as, when a boat is crossing a great stream, all hands must unite in a joint task.*

*But only a man who is himself free of all selfish ulterior considerations, and who perseveres in justice and steadfastness, is capable of so dissolving the hardness of egotism.*

### *THE IMAGE*

*The wind drives over the water: The image of DISPERSION.  
Thus the kings of old sacrificed to the Lord  
And built temples.*

*In the autumn and winter, water begins to freeze into ice. When the warm breezes of spring come, the rigidity is dissolved, and the elements that have been dispersed in ice floes are reunited. It is the same with the minds of the people. Through hardness and selfishness the heart grows rigid, and this rigidity leads to separation from all others. Egotism and cupidity isolate men. Therefore the hearts of men must be seized by a devout emotion. They must be shaken by a religious awe in face of eternity - stirred with an intuition of the One Creator of all living beings, and united through the strong feeling of fellowship experienced in the ritual of divine worship.*

## 48 THE WELL

### MANAGERIAL ISSUE:

The CEO – managing to draw (ideas / assets) from the corporate Well.

Man has a profound need to create and to see his ideas become reality. This is the real gift of GOD to man. HE is the Creator and HE gave man HIS capacity to create. This will always be. This is eternal. It is this eternal need to create which the CEO must access.

Hexagram 48 refers to the corporation as a source of ideas and the CEO as the one responsible for drawing those ideas from the employees.

The Superior CEO is:

- An organizer.
- A constant provider and a drawer of ideas and concepts.
- A leader who provides encouragement to carry out these ideas through incentives within the organization.

The Superior CEO reaches deeply within his own soul as well as within the other executives and employees' souls for new ideas.

The I Ching says:

*“The town may be changed, But the well cannot be changed. It neither decreases nor increases. They come and go and draw from the well.” Life is also inexhaustible. It grows neither less nor more; it exists for one and for all. The generations come and go, and all enjoy life in its inexhaustible abundance.”*

*”The Well is there for all. No one is forbidden to take water from it. No matter how many come, all find what they need, for the Well is dependable. It has a spring and never runs dry. Therefore it is a great blessing to the whole land.”*

For instance, the Toyota employees generate thousands of ideas, which are gathered, filtered, carefully chosen and properly executed. Bill Gates, Andy Grove and Michael Dell are famous for constantly generating brilliant ideas and for asking everyone in the corporation to come up with new ideas. They look for new ideas all the time and richly reward those who provide them with the most promising ideas. How can a corporation go wrong if they listen to all the employees as well as to outside consultants?

Any corporation might change its mission, or its products or its markets or its name, but its true source of all wealth will continue to be the never ending supply of ideas within a proper corporate structure. Think of how Toys R Us changed its mission to a toy store and became successful, or how Xerox changed its mission from a photocopier company to a paper company. The employees, represented by the Well, brought about these changes, and it is the employees together with the CEO who in the final analysis are responsible for the survival of the corporation and whose ideas will determine its fate.

The Superior CEO knows his main responsibility is to make sure that everyone's imagination is tapped, that everyone cooperates in this task, that everyone, much as a plant or a honeybee colony, works for the well-being of the whole; and that these ideas are properly channeled within the right structure. Should the CEO fail in fulfilling that responsibility, then surely the corporation will not survive.

## **MANAGERIAL LESSON:**

The Superior CEO keeps in mind three objectives while tapping this source of ideas, and understands these objectives require he maintain a proper sense of balance:

- 1) First, he knows this exercise must be serious. The CEO and his assistants should go to the root of the ideas, to understand them fully in their concepts as well as in their probability of execution. After all, to execute an idea without the proper research just because it sounds good, or to do it outside of the right structure, is just as bad as doing nothing.
- 2) Second, he exercises a sense of balance so that the exercise will not be so dead serious that it becomes an obsession. The I Ching uses the image of applying excessive force when taking water out of the Well until the rope breaks. And,
- 3) Third, he makes sure all employees are properly trained to participate in these changes. This training, however, should neither be an empty intellectual exercise, nor a strait jacket. Again, the CEO's responsibility lies in achieving the proper balance.

Jack Welch of General Electric (with the backing of Heaven) went to the root of the problem using a proper balance and made sure everyone was properly trained in the Six Sigma Program.

The I Ching would recommend the CEO apply a concept of the Feng Shui. Because the I Ching represents the drawing out of ideas as a plant that draws the nutrients from the ground, it will be a good idea to keep plenty of plants around the office to keep that symbol in mind at all times.

Oracle (Larry Ellison) is a classic example (see below) of using the corporation as a Well to draw ideas as well as assets from the corporation for additional purchases of other corporations and thereby grow the operating margins .

*"In order to grow at this pace, there'll have to be a couple of acquisitions along the way. The tricky thing is to grow at this rate and maintain a 40 percent operating margin." – Larry Ellison*

Since 2004, Ellison has spent over \$25 billion in acquisitions: Peoplesoft for \$10.3 billion in 2004, Retek in 2005, Siebel in 2006, Hyperion Solutions in 2007, BEA Systems for \$6.5 billion, Sun Microsystems for \$7.4 billion in 2010, and Net Suite (50%) for \$480 million. So far there have been a total of 57 corporate acquisitions between 2004 and 2010. There are rumors Ellison is thinking of buying HP – perhaps it would be best for him to find out what the Oracle has to say about it.



## INVESTMENT ADVICE:

For the investor, the Well Time-Space represents in general terms a positive environment for investing, provided there are no lines, such as the case of Oracle (see below); however, when the lines are present, it tends to turn negative. Out of the six lines, only two are positive - one is a conditional Good Fortune and the other is a Supreme Good Fortune and that is at the end of the Hexagram. In most cases, it would appear the CEO fails to “draw” ideas or assets from the talent of the corporate Well.

### *THE WELL.*

*The town may be changed,  
But the well cannot be changed.  
It neither decreases nor increases.  
They come and go and draw from the well.  
If one gets down almost to the water  
And the rope does not go all the way,  
Or the jug breaks, it brings misfortune.*

*In ancient China the capital cities were sometimes moved, partly for the sake of more favorable location, partly because of a change in dynasties. The style of architecture changed in the course of centuries, but the shape of the well has remained the same from ancient times to this day. Thus the well is the symbol of that social structure which, evolved by mankind in meeting its most primitive needs, is independent of all political forms. Political structures change, as do nations, but the life of man with its needs remains eternally the same - this cannot be changed. Life is also inexhaustible. It grows neither less nor more; it exists for one and for all. The generations come and go, and all enjoy life in its inexhaustible abundance.*

*However, there are two prerequisites for a satisfactory political or social organization of mankind. We must go down to the very foundations of life. For any merely superficial ordering of life that leaves its deepest needs unsatisfied is as ineffectual as if no attempt at order had ever been made. Carelessness - by which the jug is broken - is also disastrous. If for instance the military defense of a state is carried to such excess that it provokes wars by which the power of the state is annihilated, this is a breaking of the jug.*

*This hexagram applies also to the individual. However men may differ in disposition and in education, the foundations of human nature are the same in everyone. And every human being can draw in the course of his education from the inexhaustible wellspring of the divine in man's nature. But here likewise two dangers threaten: a man may fail in his education to penetrate to the real roots of humanity and remain fixed in conventions partial education of this sort is as bad as none or he may suddenly collapse and neglect his self-development.*

The following cases are those of corporations under the Well Time-Space:

- **Oracle Corp. ORCL under CEO Lawrence J. Ellison**
- **Verizon Communications Inc. VZ under CEO Ivan G. Seidenberg**
- **Intuit Inc. INTU under CEO Brad D. Smith**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well – failing by looking for ideas in the wrong place.

**Managerial Lesson:** Be creative.

**Managerial Warning:** At the first stage of the Well Time-Space, the CEO fails to create the right corporate structure for ideas to surface.

**Managerial Advice:** The Superior CEO always starts first by looking for ideas within the corporation to nourish its growth. He knows that to look for ideas in the wrong place would eventually lead the corporation on the wrong path. He knows he must face any weakness he might have in tapping the real root of ideas. No one would want a CEO who fails to generate ideas.

**Investment Advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well – failing because of his neglect.

**Managerial Lesson:** Be responsible.

**Managerial Warning:** At the second stage of the Well Time-Space, the CEO finds his corporation has brilliant employees, brilliant ideas and the right structure, yet he fails to make the most of such brilliance because of his neglect to carry them through. There is no excuse for this.

**Managerial Advice:** The Superior CEO knows that if corporate brilliance is not exercised (implemented/executed), just like a muscle, it will deteriorate. He knows that in the end the corporation will fall prey to the wrong influences and will lose its outstanding features.

**Investment Advice:** Do not invest

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well - failing to draw ideas from one particular member of the corporate Well.

**Managerial Lesson:** Be thorough.

**Managerial Warning:** At the third stage of the Well Time-Space, the CEO finds his corporation full of brilliant employees, and in particular one who is outstanding, yet he fails to access this brilliance.

**Managerial Advice:** The Superior CEO knows that no matter how brilliant an employee might be, if the CEO makes no effort to know about him or purposely ignores him, then the corporation cannot grow.

**Investment Advice:** Do not invest

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well - re-engineering the corporation to properly draw ideas later on.

**Managerial Lesson:** Be creative.

**Managerial Warning:** At the fourth stage of the Well Time-Space, the CEO finds there is a need for reengineering the corporation which might mean a temporary drop in its creativity.

**Managerial Advice:** The Superior CEO accepts the necessary sacrifices. He knows they are acceptable because in the end, once the reengineering is completed, the corporation will surely come back with force in its ability to generate new ideas and create new products.

**Investment Advice:** Do not invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well – succeeding but lacking Heaven’s mandate.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the fifth stage of the Well Time-Space, the CEO finds the corporation has the right management, brilliant employees, and the right structure. Yet one element is missing: Heaven’s mandate to enable the CEO to “draw water from the Well” or “drink from the spring of their words and translate them into life”

The I Ching says: *“The best water is only a potentiality for refreshment as long as it is not brought up. So too with leaders of mankind: it is all-important that one should drink from the spring of their words and translate them into life”.*

**Managerial Advice:** The Superior CEO knows that sometimes, even if he has all the elements necessary to draw all the wisdom from the employees, it is not always a guarantee that he will be successful. Sometimes Heaven so ordains the CEO will not be able to listen to his most brilliant managers.

**Investment Advice:** Do not invest

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to draw (ideas / assets) from the corporate Well – perfectly drawing ideas from the perfect corporation.

**Managerial Lesson:** Be a winner.

**Managerial Warning:** At the sixth stage of the Well Time-Space, the CEO finds he has the near perfect combination of brilliant employees, proper corporate structure, right CEO and good fortune. This corporation, like a Well, is a continuous gush of ideas and creativity. This corporation is almost like the I Ching itself.

Here the I Ching describes itself:

*“The Well is there for all. No one is forbidden to take water from it. No matter how many come, all find what they need, for the Well is dependable. It has a spring and never runs dry. Therefore it is a great blessing to the whole land.”*

**Managerial Advice:** The Superior CEO knows that when everything combines for successful creativity, it is wise to drink deeply and continuously from such source, to never let go.

**Investment Advice:** Invest all you can. The I Ching says: *“Supreme Good Fortune”*

## **MANAGERIAL CASES**

### **Oracle Corp. ORCL under CEO Lawrence J. Ellison**

Lawrence Ellison's Performance:	ROI= 14,366.60%	Annualized Return= 23.50%
SPY's Performance:	ROI= 173.81%	Annualized Return= 4.37%

Lawrence J. Ellison (founder) has been CEO of Oracle since its very beginning in June of 1977.

Since March of 1988, his performance has been that of a truly Superior CEO, outperforming the SPY many times over.

However, because he has been CEO for so long, we have to ask the Oracle once more about his future Time-Space.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

#### *HEXAGRAM 48 – Ching - The Well*

*Wood is below, water above. The wood goes down into the earth to bring up water. The image derives from the pole-and-bucket well of ancient China. The wood represents not the buckets, which in ancient times were made of clay, but rather the wooden poles by which the water is hauled up from the well. The image also refers to the world of plants, which lift water out of the earth by means of their fibers.*

*The well from which water is drawn conveys the further idea of an inexhaustible dispensing of nourishment.*

#### *THE JUDGMENT*

##### *THE WELL.*

*The town may be changed,  
But the well cannot be changed.  
It neither decreases nor increases.  
They come and go and draw from the well.  
If one gets down almost to the water  
And the rope does not go all the way,  
Or the jug breaks, it brings misfortune.*

*In ancient China the capital cities were sometimes moved, partly for the sake of more favorable location, partly because of a change in dynasties. The style of architecture changed in the course of centuries, but the shape of the well has remained the same from ancient times to this day. Thus the well is the symbol of that social structure which, evolved by mankind in meeting its most primitive needs, is independent of all political forms. Political structures change, as do nations, but the life of man with its needs remains eternally the same - this cannot be changed. Life is also inexhaustible. It grows neither less nor more; it exists for one and for all. The generations come and go, and all enjoy life in its inexhaustible abundance.*

*However, there are two prerequisites for a satisfactory political or social organization of mankind. We must go down to the very foundations of life. For any merely superficial ordering of life that leaves its deepest needs unsatisfied is as ineffectual as if no attempt at order had ever been made. Carelessness - by which the jug is broken - is also disastrous. If for instance the military defense of a state is carried to such excess that it provokes wars by which the power of the state is annihilated, this is a breaking of the jug.*

*This hexagram applies also to the individual. However men may differ in disposition and in education, the foundations of human nature are the same in everyone. And every human being can draw in the course of his education from the inexhaustible wellspring of the divine in man's nature. But here likewise two dangers threaten: a man may fail in his education to penetrate to the real roots of humanity and remain fixed in conventions partial education of this sort is as bad as none or he may suddenly collapse and neglect his self-development.*

## 2) THE ADVICE

*Water over wood: the image of THE WELL.  
Thus the superior man encourages the people at their work,  
And exhorts them to help one another.*

*The trigram Sun, wood, is below, and the trigram K'an, water, is above it. Wood sucks water upward. Just as wood as an organism imitates the action of the well, which benefits all parts of the plant, the superior man organizes human society, so that, as in a plant organism, its parts cooperate for the benefit of the whole.*

## 3) THE LINES:

There are no moving lines

## 4) THE MOVING HEXAGRAM

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focusing point.

*THE JUDGMENT*

*THE WELL.*

*The town may be changed,  
But the well cannot be changed.  
It neither decreases nor increases.  
They come and go and draw from the well.  
If one gets down almost to the water  
And the rope does not go all the way,  
Or the jug breaks, it brings misfortune.*

## **Verizon Communications Inc. VZ under CEO Ivan G. Seidenberg**

Ivan Seidenberg's Performance:	ROI= (27.00%)	Annualized Return= (3.19%)
SPY's Performance:	ROI= 4.67%	Annualized Return= 0.47%

Ivan G. Seidenberg became CEO of Verizon Communications in January of 2002. Since then, his performance has been poor compared to the SPY's. In particular, since the crash of 2007 he has not been able to outperform the SPY.

However, because he has been CEO for almost a decade, we have to ask the Oracle once more about his future Time-Space.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*One does not drink the mud of the well.*

*No animals come to an old well.*

*If a man wanders around in swampy lowlands, his life is submerged in mud. Such a man loses all significance for mankind. He who throws himself away is no longer sought out by others. In the end no one troubles about him anymore.*

Nine in the second place means:

*At the well hole one shoots fishes.*

*The jug is broken and leaks.*

*The water itself is clear, but it is not being used. Thus the well is a place where only fish will stay, and whoever comes to it, comes only to catch fish. But the jug is broken, so that the fish cannot be kept in it. This describes the situation of a person who possesses good qualities but neglects them. No one bothers about him. As a result he deteriorates in mind. He associates with inferior men and can no longer accomplish anything worthwhile.*

Nine in the third place means:

*The well is cleaned, but no one drinks from it.*

*This is my heart's sorrow,*

*For one might draw from it.*

*If the king were clear-minded,*

*Good fortune might be enjoyed in common.*

*An able man is available. He is like a purified well whose water is drinkable. But no use is made of him. This is the sorrow of those who know him. One wishes that the prince might learn about it; this would be good fortune for all concerned.*

#### **4) THE MOVING HEXAGRAM**

##### *HEXAGRAM 03 – Chun - Difficulty at the Beginning*

*The name of the hexagram, Chun, really connotes a blade of grass pushing against an obstacle as it sprouts out of the earth hence the meaning, "difficulty at the beginning." The hexagram indicates the way in which heaven and earth bring forth individual beings. It is their first meeting, which is beset with difficulties. The lower trigram Chen is the Arousing; its motion is upward and its image is thunder.*

*The upper trigram K'an stands for the Abysmal, the dangerous. Its motion is downward and its image is rain. The situation points to teeming, chaotic profusion; thunder and rain fill the air. But the chaos clears up. While the Abysmal sinks, the upward movement eventually passes beyond the danger. A thunderstorm brings release from tension, and all things breathe freely again.*

##### **THE JUDGMENT**

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

##### **THE IMAGE**

*Clouds and thunder: The image Of DIFFICULTY AT THE BEGINNING.  
Thus the superior man  
Brings order out of confusion.*

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*



## Intuit Inc. INTU under CEO Brad D. Smith

Brad Smith's Performance:	ROI= 62.90%	Annualized Return= 14.09%
SPY's Performance:	ROI= (14.16%)	Annualized Return= (4.04%)

Brad D. Smith became CEO of Intuit in January of 2008. Since then, his performance has been much better than the SPY's.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six at the beginning means:*

*One does not drink the mud of the well.*

*No animals come to an old well.*

*If a man wanders around in swampy lowlands, his life is submerged in mud. Such a man loses all significance for mankind. He who throws himself away is no longer sought out by others. In the end no one troubles about him anymore.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 05 – Hsu - Waiting (Nourishment)*

*All beings have need of nourishment from above. But the gift of food comes in its own time, and for this one must wait. This hexagram shows the clouds in the heavens, giving rain to refresh all that grows and to provide mankind with food and drink. The rain will come in its own time. We cannot make it come; we have to wait for it. The idea of waiting is further suggested by the attributes of the two trigrams - strength within, danger in front. 2 Strength in the face of danger does not plunge ahead but bides its time, whereas weakness in the face of danger grows agitated and has not the patience to wait.*

*THE JUDGMENT*

*WAITING. If you are sincere,  
You have light and success.  
Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

#### *THE IMAGE*

*Clouds rise up to heaven: The image of WAITING.  
Thus the superior man eats and drinks,  
Is joyous and of good cheer.*

*When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready.*

## **49 REVOLUTION** **(Molting)**

### **MANAGERIAL ISSUE:**

The CEO – managing to bring about revolutionary corporate changes.

Hexagram 49 describes the CEO and his role in bringing about drastic changes to the corporation. The I Ching compares these drastic changes with the changing of an animal's skin. This Hexagram is related to the Opposition (Hexagram 38) where tendencies oppose each other. Here, however, there are forces not opposing but rather fighting and trying to destroy each other and only one will come out victorious.

The Superior CEO knows that:

- 1) Sometimes drastic (Revolutionary) changes are the only means for the corporation to survive. Think of Andy Grove changing Intel's focus from a memory company to a processor company, or Microsoft making a drastic change to embrace the Internet and try and embed it in its operating system.
- 2) These drastic (Revolutionary) changes require a struggle between opposing camps. In the cases of Intel and Microsoft there were opposing camps that were willing to fight to the "death" in order to survive. Thus, the image of revolution where one of the opposing camps has to "die". Bill Gates almost destroyed Microsoft because of his hesitation to support the camp that was pushing the disruptive (at that time) technology of the internet.

### **MANAGERIAL LESSON:**

The Superior CEO knows there are various conditions for these drastic corporate changes (or Revolution) to take place and be successful. The revolution must be:

- 1) The only way out. Revolutions are not to be taken lightly. That is, the CEO must have tried all kinds of normal changes and must have found them ineffective in order to arrive to this desperate measure.
- 2) Led by a morally right CEO, especially because he will need the support of the employees. The CEO must project an image around which everyone must rally, an image of someone whose reputation is above reproach.
- 3) Based on constant communication. The three basic rules of normal change are communication, communication, and communication. But in the case of a drastic change, communication becomes even more imperative.
- 4) Focused only on the wellbeing of the employees and not of the CEO. Only then will the employees accept the CEO and help him to successfully execute his revolution.

- 5) Carried out with perfect timing.
- 6) Based on the appropriate business plan. Such plan must bring happiness to all the employees and shareholders, place a stop to the previous abuses that led to the revolution, and establish the proper checks and balances for these abuses not to happen again.

## **INVESTMENT ADVICE:**

For the investor, the Revolution Time-Space represents in general terms a difficult condition to invest:

- *Revolutions are extremely grave matters. They should be undertaken only under stress of direst necessity, when there is no way out.*
- *Not everyone is called to this task, but only the man who has the confidence of the people, and even he only when the time is ripe.*
  - *He must then proceed in the right way, so that he gladdens the people and, by enlightening them, prevents excesses.*
  - *Furthermore, he must be quite free of selfish aims and must really relieve the need of the people.*
  - *Only then does he have nothing to regret.*

By itself (no lines), the Time-Space points to Supreme Success in persevering in the revolutionary changes.

### *REVOLUTION*

*On your own day*

*You are believed.*

*Supreme success,*

*Furthering through perseverance.*

*Remorse disappears.*

*Political revolutions are extremely grave matters. They should be undertaken only under stress of direst necessity, when there is no way out. Not everyone is called to this task, but only the man who has the confidence of the people, and even he only when the time is ripe. He must then proceed in the right way, so that he gladdens the people and, by enlightening them, prevents excesses. Furthermore, he must be quite free of selfish aims and must really relieve the need of the people. Only then does he have nothing to regret.*

*Times change, and with them their demands. Thus the seasons change in the course of the year. In the world cycle also there are spring and autumn in the life of peoples and nations, and these call for social transformations.*

The lines include three possibilities of good fortune (the second, fourth and sixth lines).

The following cases are those of corporations under the Revolution Time-Space:

- **Dell Inc. DELL under CEO Michael S. Dell**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes - when there is no other way out

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the first stage of the Revolution Time-Space, the CEO finds that such changes must be carried out only if there is no other alternative.

**Managerial Advice:** The Superior CEO knows the main requirement for starting revolutionary changes is for him to conquer himself and his impulses before he starts to implement the changes.

In this particular case, it would appear that it is not favorable for the CEO to bring about any change but that rather it would be best to roll with the punches and let others take the initiative. The corporation is not yet ready for any revolutionary changes.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes - after trying everything else.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the second stage of the Revolution Time-Space, the CEO finds that after trying by all means to turn the corporation around in a normal way, it is time for drastic corporate changes.

**Managerial Advice:** The Superior CEO knows he must apply the following basic rules for making revolutionary changes:

- The CEO must prepare his own self for making any drastic change. He must make sure there are no motives for anyone to question his image as the right leader for such changes,
- If he does not fit that image, he might look for an able and honest assistant who fits such image. Whoever the CEO chooses must also be capable of conquering himself before he attempts to conquer others, and
- Whoever gets to make the changes (CEO or able assistant) must be able to create the proper atmosphere for the corporation to readily accept these changes. He must go out and deliberately seek such revolutionary changes.

**Investment Advice:** Invest. (*Starting brings Good Fortune*).

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes – waiting for the proper time, and striking the proper sense of balance

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the third stage of the Revolution Time-Space, the CEO risks falling into excessiveness while carrying out the revolution.

**Managerial Advice:** The Superior CEO knows that during the time of Revolution he must:

- Be balanced. He must be neither too aggressive nor too timid in bringing about revolutionary changes. He avoids:
  - *excessive haste and ruthlessness, which bring disaster.*
  - *excessive hesitation and conservatism, which are also dangerous.*
- Be very sure about the changes to be implemented:
  - *Not every demand for change in the existing order should be heeded.*
  - *On the other hand, repeated and well-founded complaints should not fail of a hearing.*

While the revolution is taking place, some employees will suggest many wild ideas about drastic changes. The Superior CEO's sense of balance will serve him to differentiate between implementing wild ideas based on making changes for the sake of change and implementing legitimate changes required for the corporation to be successful. As a rule of thumb, the Superior CEO will begin the revolution by implementing the obvious changes the employees have been clamoring for.

The need to make sure the change is really needed is mentioned by the I Ching when it advises the CEO to make the changes only after they have been asked for during three consecutive times.

**Investment advice:** Do not invest.

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes – searching for his moral character as the key to bringing about corporate change.

**Managerial Lesson:** Be honorable.

**Managerial Warning:** At the fourth stage of the Revolution Time-Space, the CEO finds that to bring about revolutionary changes, he must have the moral authority to do so.

**Managerial Advice:** The Superior CEO is a man of character, therefore he can lead the corporation's revolutionary changes. He knows everyone, including the employees, the Board of Directors, the shareholders and indeed the world, must be convinced he is a man of character. His integrity will:

- Encourage proper planning and generate the necessary support to execute revolutionary changes.
- Enable him to make only truly needed changes rather than make it appear as if he is just doing something. To make changes for the sake of change will only bring about the corporation's destruction. How many CEO's make changes for the sake of change? Why do so many CEOs change the focus of their corporation only to satisfy their own egos?

**Investment Advice:** Invest. (*Good Fortune*)

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes – clear goals and the proper communication as a first priority for making revolutionary corporate changes.

**Managerial Lesson:** Be communicative.

**Managerial Warning:** At the fifth stage of the Revolution Time-Space, the CEO finds he must set the right goals and communicate them to everyone.

**Managerial Advice:** The Superior CEO engages in two levels of communication: internal and external.

- In the internal communication (the most important one), he must make sure his deep belief in the need for revolutionary change:
  - Is shared by everyone. Everyone must have a deep belief in the need for revolutionary changes even before he attempts to make any changes.
  - Is so strong that everyone recognizes it even from afar.
  - Is very clear and not open to question.
  - Is a transformational experience. His belief in revolutionary change must transform him, and his vision of the completely new corporation must almost visibly change him too.
  - Is strong enough so that he will be able to change others almost without any effort.

- In the external communication, he must use the regular communication channels to make the changes public.

**Investment Advice:** Do not invest. Look for a better alternative.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to bring about revolutionary corporate changes – bringing about minor changes after the larger ones have been completed.

**Managerial Lesson:** Be motivational.

**Managerial Warning:** At the sixth stage of the Revolution Time-Space, the CEO finds he must complete the revolutionary changes.

**Managerial Advice:** The Superior CEO must:

- Complete the two basic revolutionary changes: the conceptual as well as the physical. First, he completes the basic conceptual revolutionary changes and then he completes the hundreds of minor physical changes. In the case of Andy Grove and Intel, he first had to change the conceptual corporate change – from a memory (DRAMs) to a microprocessor corporation - and then he had to deal with the physical details. By doing so, Grove transformed Intel from a manufacturer of memory chips into the world's dominant producer of microprocessors. As CEO, Grove oversaw a 4,500% increase in Intel's market capitalization from \$4 billion to \$197 billion, making it the world's 7th largest company, with 64,000 employees.
- First change the mind of the top management and second change the mind of the lower ranks in the furthest branches of the corporation. The CEO's conviction for revolutionary change is a must for the corporation to survive, but such conviction might not appear to the lowest ranking employees as necessary.
- Make sure all employees, even the lowest ranking ones, get the message for the need for change.
- Accept that such conviction might not be as deep amongst the employees as it might be for the CEO, but then again it is not to be expected. The idea is to make sure all employees are in the same wavelength.

**Investment Advice:** Do not invest. Look for better alternatives



## MANAGERIAL CASES

### **Dell Inc. DELL under CEO Michael S. Dell**

Michael Dell's Performance:	ROI= (45.00%)	Annualized Return= (12.00%)
SPY's Performance:	ROI= (19.21%)	Annualized Return= ( 4.41%)

Michael Dell (founder) has been CEO of Dell since its very beginning in 1984, except for a three year period (2004 to 2007). Since his return in 2007, his performance has been very poor compared to the SPYs. During the market recovery beginning in 2009, he was never able to outperform the SPY.

His new Time-Space (Revolution) calls for a revolutionary change for Dell such as switching its main emphasis from a producer of PCs to a services provider. There is a lot of evidence that it is already doing so:

- The purchases of Perot Systems for \$3.9 billion in 2009.
- The purchase of over a dozen smaller companies in the area of services (storage and networking).
- The building of its cloud computing infrastructure (10 data centers for \$ 1 billion).
- Almost 40% of its 120 thousand employees work in the services area.
- Dell's commitment to acquire companies at a very rapid pace (8 per year) using its \$16 billion in cash reserves to execute such revolutionary changes.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 49 – Ko – Revolution (Molting)*

*The Chinese character for this hexagram means in its original sense an animal's pelt, which is changed in the course of the year by molting. From this the word is carried over to apply to the "molting" in political life, the great revolutions connected with changes of governments. The two trigram making up the hexagram are the same two that appear in K'uei, OPPOSITION (38), that is, the two younger daughters, Li and Tui. But while there the elder of the two daughters is above, and what results is essentially only an opposition of tendencies, here the younger daughter is above. The influences are in actual conflict, and the forces combat each other like fire and water (lake), each trying to destroy the other. Hence the idea of revolution.*

*THE JUDGMENT*

*REVOLUTION*

*On your own day  
You are believed.*

Supreme success,  
Furthering through perseverance.  
Remorse disappears.

*Political revolutions are extremely grave matters. They should be undertaken only under stress of direst necessity, when there is no way out. Not everyone is called to this task, but only the man who has the confidence of the people, and even he only when the time is ripe. He must then proceed in the right way, so that he gladdens the people and, by enlightening them, prevents excesses. Furthermore, he must be quite free of selfish aims and must really relieve the need of the people. Only then does he have nothing to regret.*

*Times change, and with them their demands. Thus the seasons change in the course of the year. In the world cycle also there are spring and autumn in the life of peoples and nations, and these call for social transformations.*

## **2) THE ADVICE**

*Fire in the lake: the image of REVOLUTION.  
Thus the superior man  
Sets the calendar in order  
And makes the seasons clear.*

*Fire below and the lake above combat and destroy each other. So too in the course of the year a combat takes place between the forces of light and the forces of darkness, eventuating in the revolution of the seasons. Man masters these changes in nature by noting their regularity and marking off the passage of time accordingly. In this way order and clarity appear in the apparently chaotic changes of the seasons, and man is able to adjust himself in advance to the demands of the different times.*

## **3) THE LINES:**

Six in the second place means:  
*When one's own day comes, one may create revolution.  
Starting brings good fortune.  
No blame,*

*When we have tried in every way to bring about reforms, but without success, revolution becomes necessary. But such a thoroughgoing upheaval must be carefully prepared. There must be available a man who has the requisite abilities and who possesses public confidence. To such a man we may well turn. This brings good fortune and is not a mistake. The first thing to be considered is our inner attitude toward the new condition that will inevitably come. We have to go out to meet it, as it were. Only in this way can it be prepared for.*

Nine in the third place means:  
*Starting brings misfortune.  
Perseverance brings danger.  
When talk of revolution has gone the rounds three times,  
One may commit himself,*

*And men will believe him.*

*When change is necessary, there are two mistakes to be avoided. One lies in excessive haste and ruthlessness, which bring disaster. The other lies in excessive hesitation and conservatism, which are also dangerous. Not every demand for change in the existing order should be heeded. On the other hand, repeated and well-founded complaints should not fail of a hearing. When talk of change has come to one's ears three times, and has been pondered well, he may believe and acquiesce in it. Then he will meet with belief and will accomplish something- (1)*

*Six at the top means:*

*The superior man changes like a panther.*

*The inferior man molts in the face.*

*Starting brings misfortune.*

*To remain persevering brings good fortune.*

*After the large and fundamental problems are settled, certain minor reforms, and elaborations of these, are necessary. These detailed reforms may be likened to the equally distinct but relatively small marks of the panther's coat. As a consequence, a change also takes place among the inferior people. In conformity with the new order, they likewise "molt." This molting, it is true, does not go very deep, but that is not to be expected. We must be satisfied with the attainable. If we should go too far and try to achieve too much, it would lead to unrest and misfortune. For the object of a great revolution is the attainment of clarified, secure conditions ensuring a general stabilization on the basis of what is possible at the moment.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 10 – Lu - Treading (Conduct)*

*The name of the hexagram means on the one hand the right way of conducting oneself. Heaven, the father, is above, and the lake, the youngest daughter, is below. This shows the difference between high and low, upon which composure, correct social conduct, depends. On the other hand, the word for the name of the hexagram, TREADING, 1 means literally treading upon something. The small and cheerful [Tui] treads upon the large and strong [Ch'ien]. The direction of movement of the two primary trigrams is upward. The fact that the strong treads on the weak is not mentioned in the Book of Changes, because it is taken for granted. For the weak to take a stand against the strong is not dangerous here, because it happens in good humor [Tui] and without presumption, so that the strong man is not irritated but takes it all in good part.*

#### **THE JUDGMENT**

**TREADING.**

*Treading upon the tail of the tiger.*

*It does not bite the man.*

*Success.*

*The situation is really difficult. That which is strongest and that which is weakest are close together. The weak follows behind the strong and worries it. The strong, however, acquiesces and does not hurt the weak, because the contact is in good humor and harmless.*

*In terms of a human situation, one is handling wild, intractable people. In such a case one's purpose will be achieved if one behaves with decorum. Pleasant manners succeed even with irritable people.*

#### **THE IMAGE**

*Heaven above, the lake below: The image Of TREADING.  
Thus the superior man discriminates between high and low,  
And thereby fortifies the thinking of the people.*

*Heaven and the lake show a difference of elevation that inheres in the natures of the two, hence no envy arises. Among mankind also there are necessarily differences of elevation; it is impossible to bring about universal equality. But it is important that differences in social rank should not be arbitrary and unjust, for if this occurs, envy and class struggle are the inevitable consequences. If, on the other hand, external differences in rank correspond with differences in inner worth, and if inner worth forms the criterion of external rank, people acquiesce and order reigns in society.*

## **50 THE CALDRON**

### **MANAGERIAL ISSUE:**

The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees.

Hexagram 48 (The Well) would describe the corporation as a "Well" or an inexhaustible source of ideas and the CEO as the one responsible for drawing those ideas out from the employees and carry them through to a successful completion.

Hexagram 50 (The Caldron) would describe the corporation as a "cooking vessel" and the CEO in his role as the "chef" who must use this vessel to cook the corporate ideas and bring them to a successful completion.

As a "chef", the CEO must get the necessary "ingredients" (resources) to prepare the corporate "food", to provide "nourishment" for and to "nurture" the corporation. The "ingredients" would include properly trained employees, raw materials, tools, research, final products, marketing, financial strength and all the corporation might need as "nourishment".

This is particularly the case with the role of nurturing the younger executives for the purpose of finding the next generation of leaders. This is one of the CEO's most crucial roles, because on this issue depends the survival of the corporation.

### **MANAGERIAL LESSON:**

- The Superior CEO:  
Nourishes the young executives under his training. He knows it is his sacred duty:
  - To hand down his knowledge to the future generations, and
  - To find the right replacement for himself.
  
- The Superior executive  
Knows it is his sacred duty:
  - To regard the CEO with profound respect as the man of vision who has much to teach him – after all, the CEO is a man already chosen to lead the corporation not only by the Board of Directors but also by fate (he has the Mandate of Heaven),
  - To learn all the CEO can teach him - If his attitude is the right one and if he learns properly from the CEO, the future of the corporation is assured.

## **INVESTMENT ADVICE:**

For the investor, the Caldron Time-Space represents in general terms a favorable Time-Space to invest.

By itself (no lines) the Time-Space points to Supreme Good Fortune and Success.

*THE CALDRON.  
Supreme good fortune.  
Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

The lines include two possibilities of good fortune (the second and third) and one possibility of Great Good Fortune (the sixth).

The following cases are those of corporations under the Caldron Time-Space:

- Exxon Mobil Corp. XOM under CEO Rex W. Tillerson
- Henry Schein Inc. HSIC under CEO Stanley M. Bergman
- DENTSPLY International Inc. XRAY under CEO Bret W. Wise
- Linear Technology Corp. LLTC under CEO Lothar Maier

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees - managing to clear the corporate cooking vessel before starting to cook great ideas.

**Managerial Lesson:** Be unprejudiced.

**Managerial Warning:** At the first stage of the Caldron Time-Space, the CEO finds the need to clear out all prejudices from his mind as well as from the corporation's employees before starting to cook to nurture the corporation. This line highlights the CEO's need for a proper sense of justice in choosing the corporation's future leaders.

**Managerial Advice:** The Superior CEO is impartial when looking for talent among the young executives. He knows he must be blind as to sex, age, color, religion, etc. He knows his only consideration should be ability, talent and merit.

In this particular case, the I Ching points out there is someone of talent who comes from a lower social class and advises the CEO to be on the lookout for him. Once found, the CEO must accept him as a future leader because this young executive will prove his worth. This assures the future well-being of the corporation.

**Investment advice:** Do not invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees - in spite of criticism.

**Managerial Lesson:** Be alert.

**Managerial Warning:** At the second stage of the Caldron Time-Space,

- The CEO finds he must get on with the “cooking” in finding the future leaders while expecting criticism for doing his work.
- A talented young executive finds his colleagues are envious of him.

**Managerial Advice:** The Superior CEO and the Superior executive ignore envy and criticism and continue with their work. They both continue to do great things. Think of Jack Welch of General Electric and how his envious young colleagues might have spoken evil of him when he blew up a lab. Yet he kept on doing what he did best, always concentrating on the task at hand rather than on what others were saying of him. The Superior executive who pays attention to what others say about him has a double task, he must first spend time and effort in paying attention to the criticism and then he must pay attention to his real task. The Superior CEO knows who is doing his job and when the time comes he will properly choose the next CEO.

**Investment advice:** Invest. (*Good Fortune*)

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees - but getting no recognition for it.

**Managerial Lesson:** Be constant.

**Managerial Warning:** At the third stage of the Caldron Time-Space,

- The CEO finds he must continue to look for young talented executives at all times and at all places of the corporation. In this way he won't miss the future talent. And
- The young and talented executive finds that in spite of working very hard, he has not yet found recognition in the corporation.

**Managerial Advice:**

- The Superior CEO is tireless in his search for talent.
- The Superior executive will continue to exercise his talent regardless of recognition. He knows that if his talent is true talent, an inborn gift, and "truly spiritual", then he can rest assured that the wise CEO will, in time, certainly find him.

**Investment advice:** Invest. Be prepared for difficulties. (*Good Fortune comes in the end*).

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees - unable to use the Caldron for lack of talent and character.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the fourth stage of the Caldron Time-Space, the CEO finds his lack of talent and character causes him to fail in nurturing the next generation of executives. He tends to surround himself with incompetent assistants, who cause him to fail in properly handing down tasks and responsibilities. The CEO must correct this situation quickly because this will end in disaster.

**Managerial Advice:** The Superior CEO will keep the company of superior employees only. How can he go wrong with their advice?

**Investment advice:** Do not invest. (*Misfortune*)

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to use the corporate cooking vessel to cook great ideas – succeeding by the proper humble attitude.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Caldron Time-Space, the CEO learns his role in finding talented executives.

While in the previous line, the arrogance of the CEO attracted the worst kind of assistants. In this line, the humility of the CEO attracts the best assistants and that is how he succeeds.



**Managerial Advice:** The Superior CEO knows humility is above talent. He readily recognizes when he is not the most talented of the CEOs, yet, by his humility and honesty in readily recognizing merits in his subordinates, he completes his task of finding his replacement. The Superior CEO recognizes that handling people is as much of a talent as creating a new product.

**Investment advice:** Do not invest. Look for a better investment. (*Perseverance furthers*).

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporation as a cooking vessel (Caldron) to nourish great corporate ideas and employees - successfully using the Caldron to find the proper successor.

**Managerial Lesson:** Be a teacher.

**Managerial Warning:** At the sixth stage of the Caldron Time-Space, the CEO finds the right executive to impart his knowledge.

**Managerial Advice:** The Superior CEO listens and looks for executives who listen. He knows that listening is one of the corporate leaders' greatest qualities. Once the Superior CEO has found someone with talent who is willing to listen, he can begin the long process of training his future replacement. The reason why the Superior CEO knows he has found his man is because not only is the young executive talented, but also is willing to listen.

This is the line of Reginald H. Jones of General Electric finding Jack Welch, or of J. Paul Austin of Coca Cola finding Goizueta.

**Investment advice:** Invest. (*Great Good Fortune*)

## **MANAGERIAL CASES**

### **Exxon Mobil Corp. XOM under CEO Rex W. Tillerson**

Rex Tillerson's Performance:	ROI= 20.68%	Annualized Return= 3.33%
SPY's Performance:	ROI= (9.50%)	Annualized Return= (1.73%)

Rex W. Tillerson has been CEO of Exxon Mobil since January of 2006.

Since then, he has been able to outperform the SPY by a combination of managerial skills and high demand for raw materials..

The lines: there are no moving lines therefore the Judgment applies all by itself:

THE CALDRON. **Supreme good fortune. Success**, which points to a prosperous time during the Caldron Time-Space. His performance proves he has done as well as the Oracle predicted and will continue to do well in the future as he continues to nurture the corporation with talented managers who will eventually succeed him in accordance with his Time-Space.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

HEXAGRAM 50 – Ting - The Caldron

*The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting, as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

### THE JUDGMENT

THE CALDRON.

Supreme good fortune.

Success.

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

## 2) THE ADVICE

*Fire over wood: The image of THE CALDRON.  
Thus the superior man consolidates his fate  
By making his position correct.*

*The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing. These words contain hints about the fostering of life as handed on by oral tradition in the secret teachings of Chinese yoga,*

## 3) THE LINES:

There are no moving lines.

## 4) THE MOVING HEXAGRAM

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focusing point.

*THE JUDGMENT*

*THE CALDRON.  
Supreme good fortune.  
Success.*

## **Henry Schein Inc. HSIC under CEO Stanley M. Bergman**

Stanley Bergman's Performance:	ROI= 328.00%	Annualized Return= 9.62%
SPY's Performance:	ROI= 89.07%	Annualized Return= 4.10%

Stanley M. Bergman has been CEO of Henry Schein since 1989. Since then, his performance has been outstanding compared to the SPYs.

However, because he has been CEO for over two decades, we have to ask of the Oracle once more about his future performance. His new Time Space is the Caldron.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*A Ting with legs upturned.*

*Furthers removal of stagnating stuff.*

*One takes a concubine for the sake of her son.*

*No blame.*

*If a Ting is turned upside down before being used, no harm is done - on the contrary, this clears it of refuse. A concubine's position is lowly, but because she has a son she comes to be honored.*

*These two metaphors express the idea that in a highly developed civilization, such as that indicated by this hexagram, every person of good will can in some way or other succeed. No matter how lowly he may be, provided he is ready to purify himself, he is accepted. He attains a station in which he can prove himself fruitful in accomplishment, and as a result he gains recognition.*

Nine in the second place means:

*There is food in the ting.*

*My comrades are envious,*

*But they cannot harm me.*

*Good fortune.*

*In a period of advanced culture, it is of the greatest importance that one should achieve something significant. If a man concentrates on such real undertakings, he may indeed experience envy and disfavor, but that is not dangerous. The more he limits himself to his actual achievements, the less harm can the envious inflict on him.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 30 – Li - THE CLINGING, FIRE*

*This hexagram is another double sign. The trigram Li means "to cling to something," "to be conditioned, to depend or rest on something," and also "brightness". A dark line clings to two light lines, one above and one below - the image of an empty space between two strong lines, whereby the two strong lines are made bright. The trigram represents the middle daughter. The Creative has incorporated the central line of the Receptive, and thus Li develops. As an image, it is fire. Fire has no definite form but clings to the burning object and thus is bright. As water pours down from heaven, so fire flames up from the earth. While K'an means the soul shut within the body, Li stands for nature in its radiance.*

## THE JUDGMENT

### THE CLINGING.

*Perseverance furthers.*

*It brings success.*

*Care of the cow brings good fortune.*

*What is dark clings to what is light and so enhances the brightness of the latter. A luminous thing giving out light must have within itself something that perseveres; otherwise it will in time burn itself out. Everything that gives light is dependent on something to which it clings, in order that it may continue to shine.*

*Thus sun and moon cling to heaven, and grain, grass, and trees cling to the earth. So too the twofold clarity of the dedicated man clings to what is right and thereby can shape the world. Human life on earth is conditioned and unfree, and, when man recognizes this limitation and makes himself dependent upon the harmonious and beneficent forces of the cosmos, he achieves success. The cow is the symbol of extreme docility. By cultivating in himself an attitude of compliance and voluntary dependence, man acquires clarity without sharpness and finds his place in the world. 1*

## THE IMAGE

*That which is bright rises twice: The image of FIRE.*

*Thus the great man, by perpetuating this brightness,*

*Illumines the four quarters of the world.*

*Each of the two trigrams represents the sun in the course of a day. The two together represent the repeated movement of the sun, the function of light with respect to time. The great man continues the work of nature in the human world. Through the clarity of his nature he causes the light to spread farther and farther and to penetrate the nature of man ever more deeply.*

## **DENTSPLY International Inc. XRAY under CEO Bret W. Wise**

Bret Wise's Performance:

ROI= 4.28%

Annualized Return= 1.00%

SPY's Performance:

ROI= (17.29%)

Annualized Return= (3.93%)

Bret W. Wise has been CEO of Dentsply since January of 2007. Since then, he has been able to outperform the SPY; however, it should be noted that in the last two years he has not been able to outperform the SPY.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment becomes the focusing point.

*THE JUDGMENT*

*THE CALDRON.*

*Supreme good fortune.*

*Success.*

## **Linear Technology Corp. LLTC under CEO Lothar Maier**

Lothar Maier's Performance:	ROI= (21.62%)	Annualized Return= (3.55%)
SPY's Performance:	ROI= (1.86%)	Annualized Return= (0.28%)

Lothar Maier has been CEO of Linear technology since January of 2005. Since then, his performance has been very poor compared to the SPYs.

Because he has been CEO for almost 7 years, we asked the Oracle to project his future Time-Space

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the third place means:*

*The handle of the Ting is altered.*

*One is impeded in his way of life.*

*The fat of the pheasant is not eaten.*

*Once rain falls, remorse is spent.*

*Good fortune comes in the end.*

*The handle is the means for lifting up the Ting. If the handle is altered, the Ting cannot be lifted up and used, and, sad to say, the delicious food in it, such as pheasant fat, cannot be eaten by anyone. This describes a man who, in a highly evolved civilization, finds himself in a place where no one notices or recognizes him. This is a severe block to his effectiveness. All of his good qualities and gifts of mind thus needlessly go to waste. But if he will only see to it that he is possessed of something truly spiritual, the time is bound to come, sooner or later, when the difficulties will be resolved and all will go well. The fall of rain symbolizes here, as in other instances, release of tension.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

*THE JUDGMENT*

*BEFORE COMPLETION.*

*Success.*

*But if the little fox, after nearly completing the crossing,*

*Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

### *THE IMAGE*

*Fire over water: The image of the condition before transition.  
Thus the superior man is careful  
In the differentiation of things,  
So that each finds its place.*

*When fire, which by nature flames upward, is above, and water, which flows downward, is below, their effects take opposite directions and remain unrelated. If we wish to achieve an effect, we must first investigate the nature of the forces in question and ascertain their proper place. If we can bring these forces to bear in the right place, they will have the desired effect, and completion will be achieved. But in order to handle external forces properly, we must above all arrive at the correct standpoint ourselves, for only from this vantage can we work correctly.*



# **51 THE AROUSING**

## **MANAGERIAL ISSUE:**

The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – Developing the fear of God to generate the proper attitude.

Hexagram 51 refers to a forceful violent upward movement and the CEO's need to develop the proper attitude to deal with it. Both the I Ching and the Bible would appear to coincide that a shocking experience usually leads a man to the fear of God, and in that fear of God is the beginning of wisdom. However, there is a difference between fear and terror. Fear implies acknowledgment of a great power and it provides the CEO with the proper mental attitude to deal with such circumstances, particularly because fear provides the first and most important of the virtues - Prudence. Fear will keep the CEO on edge and keep him from making mistakes. And even under the worst circumstances the CEO will not drop the ball. Terror, on the other hand, implies such a degree of fear that the CEO is completely paralyzed. Terror will push him over the edge and lead him to serious errors.

## **MANAGERIAL LESSON:**

The Superior CEO knows shock can come about by two types of events:

- 1) Natural, and
- 2) Man-made, such as the birth of a new industry or a hostile takeover of another CEO against his corporation. To deal with this type of event, the Superior CEO turns unmanageable terror into manageable fear. We can use as an example the advent of the Internet industry and Netscape's browser. Bill Gates could have felt terror at the notion Microsoft would be left behind, but he turned terror into manageable fear. Gates realized that the Internet was a new industry with a tremendous potential, he also realized that Netscape's browser represented a threat to Microsoft's operating system. He was afraid Microsoft would be left out of the Internet market and did something positive with his fear.

The Superior CEO (Bill Gates) at the Arousing Time-Space:

- 1) Seeks the truth. Bill Gates asked himself if the development of the browser was a true trend or just a fashion.
- 2) Looks deep within his soul as well as within his corporation's soul. Bill Gates asked if Microsoft had the inner strength to be successful in this new industry.
- 3) Works on his proper attitude. Bill Gates attained a serious, almost reverend attitude to develop a Microsoft's browser. His confidence was based on a healthy fear of Netscape rather than terror. If Bill Gates had been terrified, he would have been paralyzed and Netscape would have been the standard browser today.

The I Ching says: *“This is the spirit that must animate leaders and rulers of men - a Profound inner seriousness from which all outer terrors glance off harmlessly.”*

In the case of man-made events there are so many examples of hostile takeovers. While healthy fear of such an event would force any CEO to create poison pills to repel such hostile takeover; terror, on the other hand, guarantees his opponents' success.

## **INVESTMENT ADVICE:**

For the investor, the Arousing represents in general terms an unfavorable Time-Space to invest. After all, few CEOs can handle such a terrifying upward movement.

By itself (no lines) the Time-Space points to a turbulent condition followed by eventual success (*Shock brings success*)

*Shock brings success.  
Shock comes-oh, oh!  
Laughing words-ha, ha!  
The shock terrifies for a hundred miles,  
And he does not let fall the sacrificial spoon and chalice.*

*The shock that comes from the manifestation of God within the depths of the earth makes man afraid, but this fear of God is good, for joy and merriment can follow upon it.*

*When a man has learned within his heart what fear and trembling mean, he is safeguarded against any terror produced by outside influences. Let the thunder roll and spread terror a hundred miles around: he remains so composed and reverent in spirit that the sacrificial rite is not interrupted. This is the spirit that must animate leaders and rulers of men - a profound inner seriousness from which all outer terrors glance off harmlessly.*

The lines, however, include only one possibility of good fortune (the first). The rest are a mixture of negative to extremely negative.

The following cases are those of corporations under the Arousing Time-Space:

- **Johnson & Johnson JNJ under CEO William C. Weldon**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – its initial stages.

**Managerial Lesson:** Be brave.

**Managerial Warning:** At the first stage of the Arousing Time-Space, the CEO faces:

- The beginning of a terrifying upward movement, a shocking situation, an arousing, which has placed the corporation in a dangerous position.
- The risk he might fall into the wrong attitude and start fearing everything is lost for the corporation.

**Managerial Advice:** The Superior CEO knows that:

- It is proper to feel fear, and
- Once he sees this difficulty through, in the end the corporation will come out better than before.

In this particular case, the Arousing will do no harm to the corporation as fate has ordained it so.

**Investment Advice:** Invest. Be prepared for initial difficulties.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) - its stronger stages – losing and recovering.

**Managerial Lesson:** Be strategic.

**Managerial Warning:** At the second stage of the Arousing Time-Space, the CEO faces serious losses such as industry leadership.

**Managerial Advice:** The Superior CEO:

- Faces losses by conquering himself.
- Must first deal with his own personal attitude during a much stronger upward movement; that is, when the corporation has really been negatively affected by new market or industry developments.
- Changes his behavior to a serious attitude by realizing there is a risk that the forces that have arisen against the corporation are too strong and any opposition will end in defeat.
- Knows such change in attitude will enable him to recover what he lost. In the case of Bill Gates, at first he suffered losses in the war of the browsers but by accepting the possibility of catastrophic losses, he changed his attitude and recovered from the previous losses.

The Superior CEO manages these strong opposing forces by:

- Withdrawing to where the corporation's enemies can do no harm. This could mean to strengthen his core products or to focus on a few key products where the corporation has the natural advantage.
- Cutting the corporate loses by eliminating non profitable divisions, much like General Electric managed to do successfully (only 1<sup>st</sup> or 2<sup>nd</sup> places in each industry).

Luckily for the CEO, however, in the end, fate has ordained that this particular hostile thrust by his competitors will not succeed and his corporation will prevail and go back to business as usual.

**Investment Advice:** Do not invest. Look for a better alternative.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – when fate caused it.

**Managerial Lesson:** Be alarmed.

**Managerial Warning:** At the third stage of the Arousing Time-Space, the CEO must prepare for a dangerous condition created by fate rather than by outside developments such as those of the market or of the industry. This is one of the worst types of situations as the CEO can easily lose his inner strength, fall prey to terror and become paralyzed.

**Managerial Advice:** The Superior CEO:

- Makes the most of fear by allowing it to penetrate his heart and give him the proper attitude of seriousness and urgency.
- Knows the proper attitude will drive him to take the right path even if sometimes, this path will consist of imitating his competitors, Japanese style (if you cannot beat them join them).
- Knows that path is correct provided his competitor's product is the proper one for his corporation. This was the case of Microsoft and the war of the browsers when Microsoft was forced to copy Netscape's browser or be destroyed..

**Investment Advice:** Do not invest. The CEO might not respond properly to his fears.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – when the Arousing that causes his fears is mired.

**Managerial Lesson:** Be still.

**Managerial Warning:** At the fourth stage of the Arousing Time-Space, the CEO finds the arousing forces that move against him are losing strength.

**Managerial Advice:** The Superior CEO knows that:

- Sometimes it is best to do nothing, neither to resist nor to give in.
- This “do nothing” attitude will make things very difficult for his opponents.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – his attitude under a continuous series of terrifying upward movements that threatens his corporation and which allow it no time to recover.

**Managerial Lesson:** Be centered.

**Managerial Warning:** At the fifth stage of the Arousing Time-Space, the CEO faces “*repeated shocks with no breathing space between*”.

**Managerial Advice:** The Superior CEO goes for the middle road, avoids the extremes - the cutting edge and the bleeding edge. He knows that by being centered, he is “*spared the fate of being helplessly tossed hither and thither*”.

**Investment Advice:** Do not invest. Look for better alternatives.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the Arousing (the shock of a terrifying upward movement symbolized by thunder) – his proper attitude when facing the Arousing at its height.

**Managerial Lesson:** Be cautious.

**Managerial Warning:** At the sixth stage of the Arousing Time-Space, the CEO faces such a sudden threat to his corporation that he goes into panic rather than a healthy manageable fear. Thus he can neither define the problem nor find the solution. He sees how the Arousing has negatively affected others in the industry. This shock makes him lose the “*clarity of vision*”.

**Managerial Advice:** The Superior CEO:

- Knows when to standstill or pull back to protect his corporation. He knows sometimes it is better to do nothing than to do something foolish which will only increase the threat.
- Prepares for the criticism he will find from his colleagues for “doing nothing” and continues to “do nothing” regardless of their criticism.

In the case of corporations which teamed together to fight another corporation (Motorola and IBM to fight Intel or Sun Microsystems and Oracle to fight Microsoft), it would have been better for a member of these teams to pull out in time with a clear conscience rather than stay and try and face a threat which was much too stronger for them to conquer.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Johnson & Johnson JNJ under CEO William C. Weldon**

William Weldon's Performance:	ROI= 1.32%	Annualized Return= 0.14%
SPY's Performance:	ROI= 3.97%	Annualized Return= 0.41%

William C. Weldon has been CEO of Johnson & Johnson since April of 2002. Since then, his performance has been flat and worse than the SPY's.

However, because he has been CEO for almost a decade, we have to ask of the Oracle once more about his future performance. His new Time Space is the Arousing.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 51 – Chen - The Arousing (Shock, Thunder)*

*The hexagram Chen represents the eldest son, who seizes rule with energy and power. A yang line develops below two yin lines and presses upward forcibly. This movement is so violent that it arouses terror. It is symbolized by thunder, which bursts forth from the earth and by its shock causes fear and trembling.*

#### *THE JUDGMENT*

*Shock brings success.  
Shock comes-oh, oh!  
Laughing words-ha, ha!  
The shock terrifies for a hundred miles,  
And he does not let fall the sacrificial spoon and chalice.*

*The shock that comes from the manifestation of God within the depths of the earth makes man afraid, but this fear of God is good, for joy and merriment can follow upon it.*

*When a man has learned within his heart what fear and trembling mean, he is safeguarded against any terror produced by outside influences. Let the thunder roll and spread terror a hundred miles around: he remains so composed and reverent in spirit that the sacrificial rite is not interrupted. This is the spirit that must animate leaders and rulers of men - a profound inner seriousness from which all outer terrors glance off harmlessly.*

## 2) THE ADVICE

*Thunder repeated: the image of SHOCK.  
Thus in fear and trembling  
The superior man sets his life in order  
And examines himself.*

*The shock of continuing thunder brings fear and trembling. The superior man is always filled with reverence at the manifestation of God; he sets his life in order and searches his heart, lest it harbor any secret opposition to the will of God. Thus reverence is the foundation of true culture.*

## 3) THE LINES:

*Six at the top means:  
Shock brings ruin and terrified gazing around.  
Going ahead brings misfortune.  
If it has not yet touched one's own body  
But has reached one's neighbor first,  
There is no blame.  
One's comrades have something to talk about.*

*When inner shock is at its height, it robs a man of reflection and clarity of vision. In such a state of shock it is of course impossible to act with presence of mind. Then the right thing is to keep still until composure and clarity are restored. But this a man can do only when he himself is not yet infected by the agitation, although its disastrous effects are already visible in those around him. If he withdraws from the affair in time, he remains free of mistakes and injury. But his comrades, who no longer heed any warning, will in their excitement certainly be displeased with him. However, he must not take this into account.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 21 - Shih Ho - Biting Through*

*This hexagram represents an open mouth (cf. hexagram 27) with an obstruction (in the fourth place) between the teeth. As a result the lips cannot meet. To bring them together one must bite energetically through the obstacle. Since the hexagram is made up of the trigrams for thunder and for lightning, it indicates how obstacles are forcibly removed in nature. Energetic biting through overcomes the obstacle that prevents joining of the lips; the storm with its thunder and lightning overcomes the disturbing tension in nature. Recourse to law and penalties overcomes the disturbances of harmonious social life caused by criminals and slanderers. The theme of this hexagram is a criminal lawsuit, in contradistinction to that of Sung, CONFLICT (6), which refers to civil suits.*

*THE JUDGMENT*

*BITING THROUGH* has success.  
It is favorable to let justice be administered.

*When an obstacle to union arises, energetic biting through brings success. This is true in all situations. Whenever unity cannot be established, the obstruction is due to a talebearer and traitor who is interfering and blocking the way. To prevent permanent injury, vigorous measures must be taken at once. Deliberate obstruction of this sort does not vanish of its own accord. Judgment and punishment are required to deter or obviate it.*

*However, it is important to proceed in the right way. The hexagram combines Li, clarity, and Chen, excitement. Li is yielding, Chen is hard. Unqualified hardness and excitement would be too violent in meting out punishment; unqualified clarity and gentleness would be too weak. The two together create the just measure. It is of moment that the man who makes the decisions (represented by the fifth line) is gentle by nature, while he commands respect by his conduct in his position.*

#### *THE IMAGE*

*Thunder and lightning: The image Of BITING THROUGH.  
Thus the kings of former times made firm the laws  
Through clearly defined penalties.*

*Penalties are the individual applications of the law. The laws specify the penalties. Clarity prevails when mild and severe penalties are clearly differentiated, according to the nature of the crimes. This is symbolized by the clarity of lightning. The law is strengthened by a just application of penalties. This is symbolized by the terror of thunder. This clarity and severity have the effect of instilling respect; it is not that the penalties are ends in themselves. The obstructions in the social life of man increase when there is lack of clarity in the penal codes and slackness in executing them. The only way to strengthen the law is to make it clear and to make penalties certain and swift.*



## **52 KEEPING STILL / MOUNTAIN**

### **MANAGERIAL ISSUE:**

The CEO – managing to “Keeping Still” within (be like the Mountain) so as to develop inner calmness without - knowing when to move and when to stop

Hexagram 52 describes the CEO’s need to develop inner calmness so that he may know when to act when he has to act and when not to act when he does not have to act. In the book Focus, Al Ries mentions that CEOs tend to suffer from the ADHD (Attention Deficit Hyperactivity Disorder). Apparently, CEOs cannot stand still for long but rather have to go on buying sprees regardless of a proper business fit. The business world is littered with these mergers, many of which in the end amount to nothing; such was the case of:

- Bob Allen, the CEO of ATT (he is in CNBC’s list of the Worst American CEOs of All Time) who decided to buy out NCR even though there was no compatibility between those two businesses. The end result is always a continuous drainage of resources for the buyer and the inevitable final split between the two companies. The I Ching was against such merger.
- Hospitality, a wonderful corporation, which gave its shareholders, a tremendous value and which lied moribund for so long because its CEO (Henry Silverman) wanted to merge with CUC International to create Cendant. The final merger and the inflating of the revenues by \$500 million translated into a \$14 billion loss for the shareholders. The I Ching was against such merger.

The Superior CEO knows that part of his success consists in knowing when to move and knowing when to stop. Did the CEO of Consecro know when to stop? Did the CEO of Boston Chicken have to buy Einstein Brothers Bagels? Did the CEO of Gillette have to buy Duracell? Did the CEO of Mossimo had to di”worse”sify into watches, formal wear, perfumes, etc.? Did Carly Fiorina of HP have to buy Compaq?

There are some who believe that a CEO’s buying sprees are partly the result of both the CEO’s ego trips and of the Board of Directors’ tradition of paying the CEOs based on their present performance alone. This practice creates a hidden incentive for the CEO to add more assets and combine more income rather than produce more income with the assets he already has. However, as the effects of a poor business fit accentuate, the CEO is usually not held accountable for his actions but rather is celebrated as having more experience now because of his failures.

## **MANAGERIAL LESSON:**

### The Superior CEO:

- 1) Develops a peaceful state of mind that will allow him to live in the eternal now (the secret of staying focused).
- 2) Stays focused when he makes his move – knowing when to move and knowing when to stop.
- 3) *Does not permit his thoughts to go beyond his situation.* Sometimes a CEO will focus exclusively on the future and neglect the present. While he pursues a future dream, he forgets the previous dream that brought him to the present condition. While he firmly believes in future cash flows based on pie in the sky assumptions, he forgets the actual poor conditions of the corporation he is buying. The CEO, like everyone else, will tend to think the grass is always greener on the other side of the fence.

### The I Ching says:

*“When a man has thus become calm, he may turn to the outside world.*

*He no longer sees in it the struggle and tumult of individual beings, and therefore he has that true peace of mind which is needed for understanding the great laws of the universe and for action, in harmony with them.*

*Whoever acts from these deep levels makes no mistakes.*

*Thus the superior man Does not permit his thoughts to go beyond his situation”.*

## **INVESTMENT ADVICE:**

For the investor, the Keeping Still represents in general terms an unfavorable Time-Space to invest. After all, few CEOs can Keep Still.

By itself (no lines) the Time-Space points to a turbulent condition followed by eventual success (*Shock brings success*)

### **KEEPING STILL.**

*Keeping his back still*

*So that he no longer feels his body.*

*He goes into his courtyard*

*And does not see his people.*

*No blame.*

*True quiet means keeping still when the time has come to keep still, and going forward when the time has come to go forward. In this way rest and movement are in agreement with the demands of the time, and thus there is light in life.*

*The hexagram signifies the end and the beginning of all movement. The back is named because in the back are located all the nerve fibers that mediate movement. If the movement of those spinal nerves is brought to a standstill, the ego, with its restlessness, disappears as it*

were. When a man has thus become calm, he may turn to the outside world. He no longer sees in it the struggle and tumult of individual beings, and therefore he has that true peace of mind which is needed for understanding the great laws of the universe and for action, in harmony with them. Whoever acts from these deep levels makes no mistakes.

The lines include only one possibility of good fortune (the sixth place). The rest are a mixture of negative to extremely negative.

The following cases are those of corporations under the Keeping Still Time-Space:

- **NII Holdings Inc. NIHD under CEO Steven P. Dussek**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his ambition so as to develop inner calmness - avoiding going off track and getting back to its original plan.

**Managerial Lesson:** Be calmed.

**Managerial Warning:** At the first stage of the Keeping Still Time-Space, the CEO risks deviating from his original objective.

**Managerial Advice:** The Superior CEO knows that:

- Once he starts a project, his advisors will tempt him to deviate from his original plans, from his original inspiration.
- If he deviates in the beginning he can always go back with little harm done. But this requires a strong willed CEO who will avoid *drifting irresolutely*.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his fears so as to develop inner calmness - stopping a project when it is beyond the point of no return.

**Managerial Lesson:** Be upright.

**Managerial Warning:** At the second stage of the Keeping Still Time-Space, the CEO risks his career when stopping a poorly conceived but an almost completed project.

**Managerial Advice:** The Superior CEO knows:

- No one can stop a project when it is beyond the point of no return and expect to survive in his position.
- Once a project reaches the point of no return, few Board of Directors will be willing to stop it.
- The project's own momentum will turn the CEO into its first victim, even if he is honestly convinced it is the wrong project.
- The Board of Directors will find it much easier to get rid of the CEO than to stop a costly project in its advanced stages.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his mind so as to develop inner calmness - stopping a project suddenly and the hard way.

**Managerial Lesson:** Be temperate.

**Managerial Warning:** At the third stage of the Keeping Still Time-Space, the CEO faces the worse from a sudden stopping.

**Managerial Advice:** The Superior CEO knows:

- A sudden stop creates opposition, which in turn creates gossiping and is followed by the inevitable conspiracies.
- Abrupt changes are always dangerous.
- Only a deep search for the inner truth will provide him the gentle persuasion required to achieve a gradual slowdown.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his ego so as to develop inner calmness – finding his inner truth to better decide on continuing or stopping a project.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fourth stage of the Keeping Still Time-Space, the CEO finds he must forget his ego to achieve the proper inner calmness. However, no one can get rid of his ego, especially CEOs whose egos tend to be very large and who tend to surround themselves with yes men.

**Managerial Advice:** The Superior CEO knows:

- Any effort to humble his ego, will lead him to the proper execution of the project as it should be and not as his ego tells him to do it.
- The very effort to humble his ego puts the CEO on the road to his enlightenment.

**Investment Advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his mouth so as to develop inner calmness – shutting up to find his inner truth and decide to continue or stop a project

**Managerial Lesson:** Be quiet.

**Managerial Warning:** At the fifth stage of the Keeping Still Time-Space, the CEO risks talking too much when facing danger.

**Managerial Advice:** The Superior CEO knows:

- It is very common for CEOs, especially the least capable ones to shoot off their mouths.
- Nothing could be more damaging to a project or even to a corporation than a CEO who cannot Keep Still his mouth.
- He must measure his words and in turn his actions will always come out all right - “let the words of my mouth and the meditation of my heart be acceptable in thy sight, my Lord and God”.

**Investment Advice:** Do not invest. Look for a better investment.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to “Keep Still” (like the Mountain) his pride so as to develop inner calmness - beyond knowing when to stop and when to move on a project.

**Managerial Lesson:** Be self-denying.

**Managerial Warning:** At the sixth stage of the Keeping Still Time-Space, the CEO has the opportunity to attain real wisdom.

**Managerial Advice:** The Superior CEO knows once he masters the art of moving and stopping at the right moment, then he is well on his way to mastering the art of self-denial which will eventually place the CEO on his way to true enlightenment.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### **NII Holdings Inc. NIHD under CEO Steven P. Dussek**

Steven Dussek's Performance:	ROI= (34.67%)	Annualized Return= (10.98%)
SPY's Performance:	ROI= (14.97%)	Annualized Return= ( 4.33%)

Steven P. Dussek has been CEO of NII Holdings February of 2008. Since then, his performance has been worse than the SPY's.

- The Hexagram warned the CEO to **KEEP STILL**

*Mountains standing close together: The image of KEEPING STILL.*

*Thus the superior man*

*Does not permit his thoughts*

*To go beyond his situation.*

Even though the Hexagram warned him to keep still, what does he do? Read and weep shareholders:

*"NII Holdings, Inc. (NASDAQ: NIHD), a differentiated provider of mobile communication services operating under the Nextel brand in Latin America, today announced the launch of a new brand identity across the region, which includes a new logo, tagline and graphic design. The new logo will unify the brand identity and enhance brand recognition across all five of the company's markets and is designed to appeal to NII's current customers while attracting new customers in support of the company's growth strategy."*

### Points the investor should consider:

#### **1) THE HEXAGRAM**

*HEXAGRAM 52 – Ken - Keeping Still, Mountain*

*The image of this hexagram is the mountain, the youngest son of heaven and earth. The male principle is at the top, because it strives upward by nature; the female principle is below, since the direction of its movement is downward. Thus there is rest because the movement has come to its normal end.*

*In its application to man, the hexagram turns upon the problem of achieving a quiet heart. It is very difficult to bring quiet to the heart. While Buddhism strives for rest through an ebbing away of all movement in nirvana, the Book of Changes holds that rest is merely a state of polarity that always posits movement as its complement. Possibly the words of the text embody directions for the practice of yoga.*

## THE JUDGMENT

### KEEPING STILL.

*Keeping his back still  
So that he no longer feels his body.  
He goes into his courtyard  
And does not see his people.  
No blame.*

*True quiet means keeping still when the time has come to keep still, and going forward when the time has come to go forward. In this way rest and movement are in agreement with the demands of the time, and thus there is light in life.*

*The hexagram signifies the end and the beginning of all movement. The back is named because in the back are located all the nerve fibers that mediate movement. If the movement of those spinal nerves is brought to a standstill, the ego, with its restlessness, disappears as it were. When a man has thus become calm, he may turn to the outside world. He no longer sees in it the struggle and tumult of individual beings, and therefore he has that true peace of mind which is needed for understanding the great laws of the universe and for action, in harmony with them. Whoever acts from these deep levels makes no mistakes.*

## 2) THE ADVICE

*Mountains standing close together: The image of KEEPING STILL.  
Thus the superior man  
Does not permit his thoughts  
To go beyond his situation.*

*1The heart thinks constantly. This cannot be changed, but the movements of the heart - that is, a man's thoughts - should restrict themselves to the immediate situation. All thinking that goes beyond this only makes the heart sore.*

## 3) THE LINES:

There are no moving lines.

## 4) THE MOVING HEXAGRAM

There is no moving Hexagram because there are no moving lines. The focusing point is the Judgment.

## THE JUDGMENT

### KEEPING STILL.

*Keeping his back still  
So that he no longer feels his body.  
He goes into his courtyard  
And does not see his people.  
No blame.*

## **53 DEVELOPMENT** **(GRADUAL vs. EXPLOSIVE GROWTH)**

### **MANAGERIAL ISSUE:**

The CEO – managing the corporation’s Development (growth) – when it is gradual and steady vs. when it is explosive

Hexagram 53 describes the CEO’s need to focus on the corporation’s development or gradual steady growth.

The I Ching compares this Development or gradual growth to that of a marriage where there is first a gradual period of courtship and then a period where the new bride will gradually get accustomed to her husband (Grow on him).

### **MANAGERIAL LESSON:**

The Superior CEO knows there are two kinds of growth: Permanent development and Explosive Growth.

#### 1) Permanent Development

- a) It has three conditions and if the corporation meets these conditions it will have shown the corporate world its capacity to achieve a permanent development or growth.

It must be:

- Gradual and steady,
- The result of a natural or evolutionary process rather than a revolutionary one,
- Based on the CEO’s extra efforts to achieve it, rather than on cutting corners.

- b) There are three elements necessary for this gradual, steady growth to take place. When those three needs are fulfilled, then gradual, steady growth will take place.

When growth is applicable to:

- The corporation itself and its need to be at peace to develop its products,
- The market for the corporation’s products, and
- The corporation’s need for a strong demand for its products.

Those three elements point to the idea that a corporation, with steady growth deserves such growth. Growth must be earned and no corporation should interfere with another corporation’s growth. For instance; when a larger corporation unconditionally backs a smaller corporation, it interferes with the smaller corporation’s growth by substantially reducing its will to survive. An unconditionally backing creates a false sense of security for the smaller corporation.



## 2) Explosive Growth.

The Superior CEO knows that one of the most difficult growths to manage is explosive growth because this growth is based on revolutionary changes rather than gradual development.

It is dangerous because it:

- a) Forces the CEO to make hasty and frequently wrong decisions. There might be exceptions such as Google, but in general, CEOs should grow steadily with their corporations.
- b) Exposes the CEO to public scrutiny and might highlight the fact that the CEO is not ready to manage the corporation.
- c) Might be undeserving growth, as the corporation has not proven its will to succeed or its tenacity in holding on to its goals. And
- d) Attracts undue attention from its competitors, which is even worst. Netscape's explosive growth was soon tempered by reality when Microsoft entered the industry. Cisco faced the same risk as more competitors challenged its privileged position.

The Superior CEO knows that gradual growth is applicable not only to corporations but to individuals also. It is applicable to situations when:

- a. Team-work is necessary, such as in the case of a corporation or a government. Here each member of the team should be allowed to develop his managerial abilities in a natural way, without any outside interference or nepotism.
- b. The corporation has recently appointed a new CEO. A recently appointed CEO must be given time to grow in his job.
- c. The CEO himself needs to grow. And such growth must be gradual. His individual growth like that of a corporation should be steady for it to last. The great majority of CEOs who are forced to grow too rapidly, who are entrusted with too much responsibility or power, who are forced to go through radical experiences will, in the end, self-destruct because they have not grown in a natural way. A CEO must show the shareholders he has the steady tenacity to succeed. Only when the CEO has proven his willingness to succeed, his tenacity to achieve the corporation's goals, will others be willing to listen to him and to follow him. For a CEO to unite others for a single purpose, he must first prove himself worthy of respect and admiration. The I Ching calls upon the CEO to be a man of virtue so that others might look up to him.

## **INVESTMENT ADVICE:**

For the investor, the Development represents in general terms a favorable Time-Space to invest. Development is the kind of growth every CEO wants as opposed to the explosive growth that is extremely difficult to manage.

By itself (no lines) the Time-Space points to Good Fortune and the need to persevere.

#### *DEVELOPMENT.*

*The maiden*

*Is given in marriage.*

*Good fortune.*

*Perseverance furthers.*

*The development of events that leads to a girl's following a man to his home proceeds slowly. The various formalities must be disposed of before the marriage takes place. This principle of gradual development can be applied to other situations as well; it is always applicable where it is a matter of correct relationships of co-operation, as for instance in the appointment of an official. The development must be allowed to take its proper course. Hasty action would not be wise. This is also true, finally, of any effort to exert influence on others, for here too the essential factor is a correct way of development through cultivation of one's own personality.*

*No influence such as that exerted by agitators has a lasting effect. Within the personality too, development must follow the same course if lasting results are to be achieved. Gentleness that is adaptable, but at the same time penetrating, is the outer form that should proceed from inner calm. The very gradualness of the development makes it necessary to have perseverance, for perseverance alone prevents slow progress from dwindling to nothing.*

The lines include three possibilities of Good Fortune (the second, fifth and sixth), and only one possibility of Misfortune (the third).

The following cases are those of corporations under the Development Time-Space:

- **British Petroleum (BP) under CEO Bob Dudley**
- **Paychex Inc. PAYX under CEO Martin Mucci**
- **KLA-Tencor Corporation KLAC under CEO Richard P. Wallace**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the corporation's Development (gradual growth) – its beginnings.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Development Time-Space, the CEO:

- Faces the beginning of the corporation's gradual growth period.
- Risks making hasty decisions.

- Risks becoming prey to the much larger corporations which are keeping an eye on its products – its products are good, with a moderate demand for it,

Luckily, at this stage, its competitors don't see much value in its products yet and view it with contempt.

**Managerial Advice:** The Superior CEO:

- Develops the necessary humility to keep away from making hasty and wrong decisions.
- Avoids any attitude that will draw his competitors' attention onto himself or onto his corporation.

**Investment Advice:** Do not invest. Keep an eye on this corporation.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the corporation's Development (gradual growth) – sharing it with others.

**Managerial Lesson:** Be generous.

**Managerial Warning:** At the second stage of the Development Time-Space, the CEO:

- Is successfully bringing his corporation to the top position in the industry,
- Is reporting good earnings on a regular basis, as the demand for the corporation's products is growing stronger,
- Feels more secure about his actions. Management in general feels they can face any challenges that lay ahead.

**Managerial Advice:** The Superior CEO knows that once everyone approves of its product, the best corporate policy is to share it, much like IBM decided to share its PC components by selling its patents. This policy is wise as it forces others to buy from the originator rather than waste time developing a similar product for which there might not be a large demand. Worst, the corporation might find itself in the same position as Apple Computers, which lost the opportunity of a lifetime to become the industry standard by refusing to share its software/hardware products and by forcing the competition to develop their own.

**Investment Advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the corporation's Development (gradual growth) – facing explosive growth rather than a gradual and steady development.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the third stage of the Development Time-Space, the CEO finds he might be "*plunging rashly into a struggle.*"

**Managerial Advice:** The superior CEO knows explosive growth is a corporation's worst enemy, because the CEO:

- Will become arrogant and overly ambitious.
- Risks becoming so arrogant that he will venture into too many projects without an adequate managerial team to run them, without sufficient working capital to back him up, and with high leverage which will eat into its earnings.
- Might be tempted to di"worser"sify into other business, which are not even part of the original corporate expertise, trying to compete in other industries against much stronger and well-entrenched corporations.
- Will be ready to self-destruct.

**Investment Advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the corporation's Development (gradual growth) - with the wrong product, in the wrong market.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the fourth stage of the Development Time-Space, the CEO leads the corporation into the wrong market with the wrong product. Luckily he finds a market for such product and manages to survive. This is a clear case of serendipity rather than of real managerial ability, and it should be viewed as a temporary resting place from which the already well-established competitors will eventually force it out. Even though it might appear as a smart move to grab a foothold in which to rest when a business is bad, in effect it is a sign of failure when the CEO has led the corporation to such conditions.

**Managerial Advice:** The Superior CEO is flexible and looks for a compromise.

This is the case of U.S. Robotics and serendipity at work. When US Robotics found that it's most popular items were not its network connectors or modems but rather its Palm Pilot, it merged with 3Com, a more successful manufacturer of network connectors and modems, and created synergy between the two of them. Still, there was no guarantee for US Robotics that the merger would provide it with the safety it had been looking for. In the end, the original creators of the Palm Pilot left to create their own product, Handspring.

**Investment Advice:** Do not invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the corporation's Development (gradual growth) - paying the price for it.

**Managerial Lesson:** Be longsuffering.

**Managerial Warning:** At the fifth stage of the Development Time-Space, the CEO risks turning every competitor into an enemy in the process of taking his corporation to the number one spot. Being number one is a lonely place after all.

**Managerial Advice:** The Superior CEO holds his course and lets things work themselves out. He is certain they will work themselves out because in time even his adversaries will see the value of his products.

This is the case of the Microsoft-Bill Gates Time-Space. By having the Mandate of Heaven, Gates was able to manage both explosive as well as gradual growth. Yet after bringing Microsoft to the number one spot, he found himself surrounded by corporate as well as governmental enemies. The lesson for Microsoft enemies was that it is of no use for them to push the government into destroying it. Eventually the government might turn against them also. Unfortunately, that has not been the case of the Microsoft-Ballmer Time-Space because Ballmer lacks the mandate of Heaven.

**Investment Advice:** Invest.

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the corporation’s Development (gradual growth) – its end.

**Managerial Lesson:** Be wise.

**Managerial Warning:** At the sixth stage of the Development Time-Space, the CEO faces the corporation’s transformation or death.

**Managerial Advice:** The Superior CEO knows all things must come to an end. Once their birth, growth, maturity and aging cycles are completed, it is time for the corporation to die or to transform itself into something completely new. The successful corporation might die physically, but never spiritually. If its products and marketing concepts have been successful, then its spin-offs will create new corporations which in turn will create new products and new industries which in turn will create new corporations and so on and on, thus feeding the eternal cycle of life. Dying stars give birth to new ones in a never-ending cycle.

This is also applicable to the successful CEO. Those he taught to carry the highest standards while he was alive will continue to do so after he leaves or dies. Goizueta’s teachings will be reflected in the works of the new CEOs of Coca Cola.

**Investment Advice:** Invest.

## MANAGERIAL CASES

### **Future of British Petroleum (BP) under CEO Bob Dudley**

Bob Dudley's Performance:	ROI= (14.52%)	Annualized Return= (14.44%)
SPY's Performance:	ROI= ( 1.68%)	Annualized Return= ( 1.67%)

Bob Dudley became CEO of British Petroleum in October of 2010 after the catastrophic events of the Gulf of Mexico. Since then, his performance has been worse than the SPY's, which in the short run is to be expected.

However, the future looks better for BP under his leadership as evidenced by the Development Time-Space.

- The Hexagram 53 Development is quite positive and points to a possible merger:  
*DEVELOPMENT. The maiden Is given in marriage. Good fortune. Perseverance furthers.*
- The lines: there is one moving line: is positive and points to Good Fortune after a period of difficulties:  
*The wild goose gradually draws near the summit. For three years the woman has no child. In the end nothing can hinder her. Good fortune.*
- The Moving Hexagram is: is positive  
HEXAGRAM 52 - Ken- Keeping Still asks him to make no sudden changes after the Development Time-Space is completed.

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 53 – Chien - Development (Gradual Progress)*

*This hexagram is made up of Sun (wood, penetration) above, i.e., without, and Ken (mountain, stillness) below, i.e., within. A tree on a mountain develops slowly according to the law of its being and consequently stands firmly rooted. This gives the idea of a development that proceeds gradually, step by step. The attributes of the trigrams also point to this: within is tranquility, which guards against precipitate actions, and without is penetration, which makes development and progress possible.*

*THE JUDGMENT*

## DEVELOPMENT.

*The maiden*

*Is given in marriage.*

*Good fortune.*

*Perseverance furthers.*

*The development of events that leads to a girl's following a man to his home proceeds slowly. The various formalities must be disposed of before the marriage takes place. This principle of gradual development can be applied to other situations as well; it is always applicable where it is a matter of correct relationships of co-operation, as for instance in the appointment of an official. The development must be allowed to take its proper course. Hasty action would not be wise. This is also true, finally, of any effort to exert influence on others, for here too the essential factor is a correct way of development through cultivation of one's own personality.*

*No influence such as that exerted by agitators has a lasting effect. Within the personality too, development must follow the same course if lasting results are to be achieved. Gentleness that is adaptable, but at the same time penetrating, is the outer form that should proceed from inner calm. The very gradualness of the development makes it necessary to have perseverance, for perseverance alone prevents slow progress from dwindling to nothing.*

## 2) THE ADVICE

*On the mountain, a tree: The image of DEVELOPMENT.*

*Thus the superior man abides in dignity and virtue,*

*In order to improve the mores.*

*The tree on the mountain is visible from afar, and its development influences the landscape of the entire region. It does not shoot up like a swamp plant; its growth proceeds gradually. Thus also the work of influencing people can be only gradual. No sudden influence or awakening is of lasting effect. Progress must be quite gradual, and in order to obtain such progress in public opinion and in the mores of the people, it is necessary for the personality to acquire influence and weight. This comes about through careful and constant work on one's own moral development.*

## 3) THE LINES:

*0 Nine in the fifth place means:*

*The wild goose gradually draws near the summit.*

*For three years the woman has no child.*

*In the end nothing can hinder her.*

*Good fortune.*

*The summit is a high place. In a high position one easily becomes isolated. One is misjudged by the very person on whom one is dependent - the woman by her husband, the official by his superior. This is the work of deceitful persons who have wormed their way in. The result is that relationships remain sterile, and nothing is accomplished. But in the course of further development, such misunderstandings are cleared away, and reconciliation is achieved after all.*

#### 4) THE MOVING HEXAGRAM

HEXAGRAM 52 – Ken - *Keeping Still, Mountain*

*The image of this hexagram is the mountain, the youngest son of heaven and earth. The male principle is at the top, because it strives upward by nature; the female principle is below, since the direction of its movement is downward. Thus there is rest because the movement has come to its normal end.*

*In its application to man, the hexagram turns upon the problem of achieving a quiet heart. It is very difficult to bring quiet to the heart. While Buddhism strives for rest through an ebbing away of all movement in nirvana, the Book of Changes holds that rest is merely a state of polarity that always posits movement as its complement. Possibly the words of the text embody directions for the practice of yoga.*

#### THE JUDGMENT

##### KEEPING STILL.

*Keeping his back still*

*So that he no longer feels his body.*

*He goes into his courtyard*

*And does not see his people.*

*No blame.*

*True quiet means keeping still when the time has come to keep still, and going forward when the time has come to go forward. In this way rest and movement are in agreement with the demands of the time, and thus there is light in life.*

*The hexagram signifies the end and the beginning of all movement. The back is named because in the back are located all the nerve fibers that mediate movement. If the movement of those spinal nerves is brought to a standstill, the ego, with its restlessness, disappears as it were. When a man has thus become calm, he may turn to the outside world. He no longer sees in it the struggle and tumult of individual beings, and therefore he has that true peace of mind which is needed for understanding the great laws of the universe and for action, in harmony with them. Whoever acts from these deep levels makes no mistakes.*

#### THE IMAGE

*Mountains standing close together: The image of KEEPING STILL.*

*Thus the superior man*

*Does not permit his thoughts*

*To go beyond his situation.*

*1The heart thinks constantly. This cannot be changed, but the movements of the heart - that is, a man's thoughts - should restrict themselves to the immediate situation. All thinking that goes beyond this only makes the heart sore.*



## Paychex Inc. PAYX under CEO Martin Mucci

Martin Mucci's Performance:	ROI= (3.01%)	Annualized Return= (2.99%)
SPY's Performance:	ROI= (1.68%)	Annualized Return= (1.67%)

Martin Mucci became CEO of Paychex in October of 2010. Since then, his performance has been similar to the SPY's.

However, the future looks better for Paychex under his leadership as evidenced by the Development Time-Space.

Points the investor should consider:

- The Hexagram 53 Development is quite positive and points to a possible merger:  
*DEVELOPMENT. The maiden is given in marriage. Good fortune. Perseverance furthers.*
- The lines: there are two moving lines:
  - The fourth place points to difficulties but no blame.
  - The fifth place points to Good Fortune after a short term period of difficulties.
- The Moving Hexagram is: is positive if he is diplomatic at all times.  
HEXAGRAM 56 - Lu- The Wanderer  
THE WANDERER. Success through smallness. Perseverance brings good fortune To the wanderer.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six in the fourth place means:

*The wild goose gradually draws near the tree.*

*Perhaps it will find a flat branch.*

*No blame.*

*A tree is not a suitable place for a wild goose. But if it is clever, it will find a flat branch on which it can get a footing. A man's life too, in the course of its development, often brings him into inappropriate situations, in which he finds it difficult to hold his own without danger. Then it is*

*important to be sensible and yielding. This enables him to discover a safe place in which life can go on, although he may be surrounded by danger.*

*0 Nine in the fifth place means:*

*The wild goose gradually draws near the summit.*

*For three years the woman has no child.*

*In the end nothing can hinder her.*

*Good fortune.*

*The summit is a high place. In a high position one easily becomes isolated. One is misjudged by the very person on whom one is dependent - the woman by her husband, the official by his superior. This is the work of deceitful persons who have wormed their way in. The result is that relationships remain sterile, and nothing is accomplished. But in the course of further development, such misunderstandings are cleared away, and reconciliation is achieved after all.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 56 - Lu - The Wanderer*

*The mountain, Ken, stands still; above it fire, Li, flames up and does not tarry. Therefore the two trigrams do not stay together. Strange lands and separation are the wanderer's lot.*

#### *THE JUDGMENT*

*THE WANDERER.*

*Success through smallness.*

*Perseverance brings good fortune*

*To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

#### *THE IMAGE*

*Fire on the mountain: The image of THE WANDERER.*

*Thus the superior man*

*Is clear-minded and cautious*

*In imposing penalties,*

*And protracts no lawsuits.*

*When grass on a mountain takes fire, there is bright light. However, the fire does not linger in one place, but travels on to new fuel. It is a phenomenon of short duration. This is what penalties and lawsuits should be like. They should be a quickly passing matter, and must not be dragged out indefinitely. Prisons ought to be places where people are lodged only temporarily, as guests are. They must not become dwelling places.*

## **KLA-Tencor Corporation KLAC under CEO Richard P. Wallace**

Richard Wallace's Performance:	ROI= (26.38%)	Annualized Return= (5.19%)
SPY's Performance:	ROI= (12.27%)	Annualized Return= (2.25%)

Richard P. Wallace became CEO of KLA-Tencor in January of 2006. Since then, his performance has been worse than the SPY's.

However, because he has been CEO for almost the 6 to 7 year period, it is best to ask of the Oracle once more about his future performance. His new Time Space is the Development.

Points the investor should consider:

- The Hexagram 53 Development is quite positive and points to a possible merger: *DEVELOPMENT. The maiden Is given in marriage. Good fortune. Perseverance furthers.*
- The lines: there are no moving lines so the Judgment above is even more relevant.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The Judgment is the focusing point.

*THE JUDGMENT*

*DEVELOPMENT.*

*The maiden*

*Is given in marriage.*

*Good fortune.*

*Perseverance furthers.*

## **54 THE MARRYING MAIDEN**

### **MANAGERIAL ISSUE:**

The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over.

Hexagram 54:

- Describes the corporation as a marrying maiden, sometimes ready and sometimes willing to be taken over. And
- Provides guidance to the CEO on the proper behavior for joining the much larger and powerful corporation.

At a micro level, this Hexagram also applies to the proper behavior of an executive (as a Marrying Maiden) who is coming over to a corporation to run one of its many divisions.

### **MANAGERIAL LESSONS:**

The Superior CEO knows that when playing the role of the CEO of the acquired company, he must:

1. Behave as a young CEO under the guidance of an older and wiser CEO, regardless of actual age. In the case of Citicorp, even though John Reed and Sandy Weil were co-Chairmen, the street-wise Reed of Citicorp should have acted as one who is under the guidance of the older and wiser Weil. In the case of Westinghouse when it bought out the radio company Infinity, the Infinity CEO should have behaved as one under the guidance of the older Westinghouse CEO. This was also the case of Ross Perot when he sold out to General Motors.
2. Realize the difficult position he is in. A proper frame of mind is the secret to his success. This was the case of Ross Perot when entering into the GM family. Throughout its history, there have been so many CEOs of other companies in the GM family of subsidiaries, such as Armstrong of Hughes Electronics, that they could have been compared with a series of concubines in a harem. The CEO of the newly acquired corporation, just as a new concubine cannot pretend to come in all of a sudden and take control of the parent corporation. Ross Perot tried to do it in GM and of course he failed miserably. Even if he was right, and Ross Perot was right in most of his criticism of the GM imperial managerial style, no one can break the corporate protocol and get away with it.
3. Differentiate between legal obligations and voluntary relations. Even if the CEO of the newly acquired company comes with a great contract which includes some legal protection such as a golden parachute, he must understand that this basically a voluntary relationship. Ross Perot came to GM by his own decision, no one forced him. The Superior CEO makes this distinction because for voluntary relations to work out properly, four elements must be in harmony.

- a) Tactful reserve - Ross Perot openly criticized the GM management. Tactful reserve requires humility on the part of the new CEO. And humility is the most important characteristic of a successful CEO.
  - b) Affection - even in the worst-case scenarios, such as a Civil War, affection could have averted disaster. That is why Lincoln so wisely spoke of the bonds of affection, which could prevent the war. He also spoke of friendship as the only way to win a man to one's cause. The I Ching says: " *spontaneous affection is the all-inclusive principle of union.*" Was there ever any spontaneous affection between Ross Perot and the GM management?
  - c) Focus, focus, focus. The Superior CEO makes a clear differentiation between the eternal and the temporary by keeping in mind the ultimate goal. In voluntary human relations there is always the possibility of misunderstandings and disagreements. Such is the case of CEOs whose corporations have been taken over. Relations between CEOs of conglomerates and CEOs of recently acquired companies are similar to those of spiders in a bottle. Such relations are always full of dangers. Only a vision of a common ultimate goal will keep them from bickering and fighting. If the spiders would realize that their common goal was to get out of the bottle they would not fight but rather help each other out.
4. Keep an eye on his adversaries. Lincoln gave us a wonderful example of how to deal with one's adversaries. He placed all the spiders in the bottle by inviting all his political enemies to join his cabinet. But he kept the final outcome in mind at all times. His goal was to win the war regardless of the everyday bickering amongst his Secretaries or his Generals. Did Ross Perot try to see the whole picture or was he like Lincoln's McClelland, undermining the whole war effort? His criticisms probably did force some changes but in the end GM got rid of him and made a fortune with his own company (bought EDS for \$2.5 billion in 1984 and sold it 11 years later for \$21 billion). In the case of Citicorp, Sandy Weil got inside the bottle with John Reed keeping in mind at all times his grand vision of a financial supermarket and knowing full well that in the end he would succeed. His, however, was a classic pyrrhic victory.

## **INVESTMENT ADVICE:**

For the investor, the Marrying Maiden represents in general terms an unfavorable Time-Space to invest. It is quite difficult to manage under a position of disadvantage as that of a concubine or a second choice. Particularly when there is a hostile takeover attempt from a larger corporation as in the case of Computer Sciences Corporation (see below)

By itself (no lines) the Time-Space points to *Undertakings bring misfortune. Nothing that would further.*

*THE MARRYING MAIDEN.*  
*Undertakings bring misfortune.*  
*Nothing that would further.*

*A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*

*The same is true of all voluntary relationships between human beings. While legally regulated relationships evince a fixed connection between duties and rights, relationships based on personal inclination depend in the long run entirely on tactful reserve.*

*Affection as the essential principle of relatedness is of the greatest importance in all relationships in the world. For the union of heaven and earth is the origin of the whole of nature. Among human beings likewise, spontaneous affection is the all-inclusive principle of union.*

The lines include two possibilities of Good Fortune (the first and the fifth). The rest are semi negative or full negative.

At the present moment there are no cases of corporations under the Marrying Maiden Time-Space in the DJI or the NASDAQ 100; however we can review one from the archives:

- **Computer Sciences Corporation under Van Honeycutt (Archives 1995)**

(Read at the end of the Hexagram)

We can also review one of a politician which proves once again the I Ching is always right.

- **USA under Bill Clinton (Archives 1972)**

(Read Chapter On Management)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over.

**Managerial Lesson:** Be useful.

**Managerial Warning:** At the first stage of the Marrying Maiden Time-Space, the CEO faces his role as the CEO of the newly acquired corporation who is in a similar business as that of the parent company. This means he is not a complete stranger to the family of business but rather a part of it. So actually there is no reason why he should not feel right at home. However, there is a strict code or etiquette or protocol to be kept and the new CEO must behave accordingly.

**Managerial Advice:** The Superior CEO knows he:

- Must blend in and take his proper position within the family clan – in his role as new CEO of the subsidiary..
- Must keep in mind that he has been chosen by the CEO of the holding and as such he already counts with his trust.
- The key to his survival lies in being of use to the CEO of the holding as well as by producing for the overall group. The more he produces in his own division, the greater his chance of eventually becoming the CEO of the holding - provided he behaves properly.

**Investment advice:** Invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over - dealing with disappointment.

**Managerial Lesson:** Be loyal.

**Managerial Warning:** At the second stage of the Marrying Maiden Time-Space, the CEO of the newly acquired company who was brought on board by the CEO of the holding with promises of active leadership, now finds himself alone either because the CEO who brought him in has found another executive in whom to trust or because the CEO who brought him in has already left the corporation.

**Managerial Advice:** The Superior CEO, when playing the role of the CEO of the newly acquired company will:

- Continue to work for the good of the group.
- Find success only in his complete devotion to the group, regardless of how well he is treated.

**Investment advice:** Do not invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over – when he is not wanted.

**Managerial Lesson:** Be worthy.

**Managerial Warning:** At the third stage of the Marrying Maiden Time-Space, the CEO of a newly acquired corporation finds he has not been invited to join the holding corporation nor given a place of honor; yet he insists and begs on coming on board even if it means accepting the lowest of positions with the hope of eventually making it to the top.



**Managerial Advice:** The superior CEO is a man of honor. He knows that to beg for a position is unworthy, and that nothing good will ever come out of a situation where an executive begs to be accepted. This would not be humility but self-abasement. An executive as such is of no use to any corporation.

**Investment advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – holding back the merger / takeover of his top-notch corporation for a better suitor.

**Managerial Lesson:** Be mature.

**Managerial Warning:** At the fourth stage of the Marrying Maiden Time-Space, the CEO has talent and runs a top-notch corporation. He plays hard to get, making all kinds of demands from the pursuing corporation. By so doing, he misses the opportunity of a merger forcing the other CEO to give up any takeover attempts.

Luckily, he needs not worry. Fate protects this talented and conceited CEO. He will find a new corporation to join either as the CEO or as a high-ranking executive. Sooner or later talent is always rewarded. However, he must change his attitude.

**Managerial Advice:** The Superior CEO is humble. Even more so when he is talented and being sought after.

**Investment advice:** Do not invest. Look for a better alternative

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over – serving under the parent's corporation less talented CEO.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Marrying Maiden Time-Space, the CEO is talented and faces the possibility of working for the less talented CEO of the holding corporation.

**Managerial Advice:** The Superior CEO is humble and because he is talented, he is able to blend in with the new corporation. When he is more talented than the CEO himself, he will do his duty and prove his loyalty without complaints.

**Investment advice:** Invest.

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to survive a merger / takeover - his new role in the parent corporation after it took his own corporation (the marrying maiden) over – looking for a good role but bringing nothing to the table.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the sixth stage of the Marrying Maiden Time-Space, on the one hand, the CEO of the newly acquired corporation has little to offer to the CEO of the holding corporation, while on the other hand, the CEO of the holding corporation makes false promises to the CEO of the newly acquired corporation.

**Managerial Advice:** The Superior CEO is honest. He will refrain from joining a holding where he has nothing to offer. He is also wise enough to know that nothing good will ever come out of two CEOs who misguide and lie to each other. To behave in such fashion, can only bring harm to themselves as well as to their corporations.

**Investment advice:** Do not invest.

## **MANAGERIAL CASES**

### **Computer Sciences Corporation under Van Honeycutt (Archives - 1995)**

#### **Points the investor should have considered:**

##### **1) THE HEXAGRAM**

*HEXAGRAM 54 – Kuei Mei - The Marrying Maiden*

*Above we have Chen, the eldest son, and below, Tui, the youngest daughter. The man leads and the girl follows him in gladness. The picture is that of the entrance of the girl into her husband's house. In all, there are four hexagrams depicting the relationship between husband and wife. Hsien, INFLUENCE (31), describes the attraction that a young couple has for each other; Heng, DURATION (32), portrays the permanent relationships of marriage; Chien, DEVELOPMENT (53), reflects the protracted, ceremonious procedures attending the arrangement of a proper marriage; finally, Kuei Mei, THE MARRYING MAIDEN, shows a young girl under the guidance of an older man who marries her. (1)*

## THE JUDGMENT

### THE MARRYING MAIDEN.

*Undertakings bring misfortune.*

*Nothing that would further.*

*A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*

*The same is true of all voluntary relationships between human beings. While legally regulated relationships evince a fixed connection between duties and rights, relationships based on personal inclination depend in the long run entirely on tactful reserve.*

*Affection as the essential principle of relatedness is of the greatest importance in all relationships in the world. For the union of heaven and earth is the origin of the whole of nature. Among human beings likewise, spontaneous affection is the all-inclusive principle of union.*

## 2) THE ADVICE

*Thunder over the lake: The image of THE MARRYING MAIDEN.*

*Thus the superior man*

*Understands the transitory*

*In the light of the eternity of the end.*

*Thunder stirs the water of the lake, which follows it in shimmering waves. This symbolizes the girl who follows the man of her choice. But every relationship between individuals bears within it the danger that wrong turns may be taken, leading to endless misunderstandings and disagreements. Therefore it is necessary constantly to remain mindful of the end. If we permit ourselves to drift along, we come together and are parted again as the day may determine. If on the other hand a man fixes his mind on an end that endures, he will succeed in avoiding the reefs that confront the closer relationships of people.*

## 3) THE LINES:

*Six at the top means:*

*The woman holds the basket, but there are no fruits in it.*

*The man stabs the sheep, but no blood flows.*

*Nothing that acts to further.*

*At the sacrifice to the ancestors, the woman had to present harvest offerings in a basket, while the man slaughtered the sacrificial animal with his own hand. Here the ritual is only superficially fulfilled; the woman takes an empty basket and the man stabs a sheep slaughtered beforehand - solely to preserve the forms. This impious, irreverent attitude bodes no good for a marriage.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 38 - K'uei - Opposition*

*This hexagram is composed of the trigram Li above, i.e., flame, which burns upward, and Tui below, i.e., the lake, which seeps downward. These two movements are in direct contrast. Furthermore, Li is the second daughter and Tui the youngest daughter, and although they live in the same house they belong, to different men; hence their wills are not the same but are divergently directed.*

### THE JUDGMENT

#### OPPOSITION.

*In small matters, good fortune.*

*When people live in opposition and estrangement they cannot carry out a great undertaking in common; their points of view diverge too widely. In such circumstances one should above all not proceed brusquely, for that would only increase the existing opposition; instead, one should limit oneself to producing gradual effects in small matters. Here success can still be expected, because the situation is such that the opposition does not preclude all agreement.*

*In general, opposition appears as an obstruction, but when it represents polarity within a comprehensive whole, it has also its useful and important functions. The oppositions of heaven and earth, spirit and nature, man and woman, when reconciled, bring about the creation and reproduction of life. In the world of visible things, the principle of opposites makes possible the differentiation by categories through which order is brought into the world.*

### THE IMAGE

*Above, fire, below, the lake: The image of OPPOSITION.*

*Thus amid all fellowship*

*The superior man retains his individuality.*

*The two elements, fire and water, never mingle but even when in contact retain their own natures. So the cultured man is never led into baseness or vulgarity through intercourse or community of interests with persons of another sort; regardless of all commingling, he will always preserve his individuality.*

### Comments:

With the Marrying Maiden, the Oracle was advising Van Honeycutt of the coming hostile takeover attempt by Computer Associates International. He acted correctly in rejecting the offer as per: the advice in the Judgment, the line and the Moving Hexagram:

- **The Judgment:**  
*THE MARRYING MAIDEN. Undertakings bring misfortune. Nothing that would further.*
- **The Line:**  
*The woman holds the basket, but there are no fruits in it. The man stabs the sheep, but no blood flows. Nothing that acts to further.*
- **The Moving Hexagram:**  
*Opposition*

The following article covers the hostile takeover attempt.

*In late 1997 Computer Associates International, a software services company, made an offer to buy Computer Sciences. When the offer was turned down, Computer Associates International launched a hostile takeover bid, creating one of the most public and nastiest battles between major corporations in the late 1990s.*

*Computer Associates International offered \$108 per share, a total of \$98 billion, for Computer Sciences. It turned out that Honeycutt was not weak; he was an unpretentious person, but he was, as he described himself at the time (Lubove 1998); a "pain in the ass." To Honeycutt, Computer Associates International and Computer Sciences were antithetical companies. Honeycutt viewed Computer Associates International as a rigid company that insisted on having all services for clients developed in-house, whereas Computer Sciences had a flexible business model that encouraged finding solutions for clients even if those solutions were to be found in an outside company. Honeycutt was proud that Computer Sciences was objective in its analyses of its clients' needs, whereas he viewed Computer Associates International as a vendor that always tried to force clients to fit the services Computer Associates International itself had to offer.*

*The CEO of Computer Associates International was the computer-industry pioneer Charles Wang, who along with the company's president, Sanjay Kumar, had built the company into a corporate giant through acquisitions. Wang saw Computer Sciences as a good fit with his company because Computer Sciences had a worldwide sales force and success in financial services. Honeycutt sued Wang and Computer Associates International, asserting that Wang and Kumar had tried to bribe him into going along with the takeover by offering him \$50 million in cash and stock. Wang insisted that talks with Honeycutt had focused on how much Computer Associates International would pay per share, declaring that Honeycutt had asked for \$130 per share and that negotiations had eventually focused on \$115 to \$125 per share.*

*Honeycutt insisted that he had never negotiated with Wang and that Computer Sciences was not for sale at any price. Wang and Computer Associates International sued Computer Sciences in Las Vegas, Nevada, because Nevada laws favored the takeover bid. Wang declared that Computer Sciences was violating the law by not presenting the takeover bid to Computer Sciences shareholders for a vote. Computer Sciences changed its bylaws to require that 90 percent of its board members had to vote in favor of a takeover before it could be brought to a vote of shareholders. Wang accused Honeycutt of racism, because someone at Computer Services had said that Computer Sciences was at risk of losing its defense contracts, which were 29 percent of Computer Sciences business at the time, because Wang was a native of China and Kumar was a native of Sri Lanka. Computer Sciences quickly apologized.*

*Honeycutt took his case to Computer Sciences shareholders, arguing that a takeover by Computer Associates International would harm Computer Sciences customers because Computer Associates International lacked the flexibility and objectivity of Computer Sciences and that the takeover would harm employees because Computer Associates International had a history of firing large numbers of employees after successfully taking over a company. Wang promised that such firings would not occur. Honeycutt promised that Computer Sciences shares would soon be worth more than \$108 apiece and that Computer Sciences would have an 18 percent increase in earnings for 1998. Journalists considered Honeycutt's promises difficult to keep because the U.S. Department of Defense was cutting spending, lowering potential income for Computer Sciences.*

*On February 10, 1998, the value of Computer Sciences shares increased to \$106.94 each. On February 17 Computer Associates International officially initiated its hostile takeover bid. On February 19 Honeycutt pressed his case that the hostile takeover would damage customers and employees, two points recognized as a legal defense in Nevada, and that shareholders would lose money. Shareholders supported Honeycutt, and on March 16, 1998, Computer Associates International let its offer expire, but not without Wang's writing a scathing public letter chastising Honeycutt for harming shareholders.*

*By May 1998 the value of Computer Sciences stock was near \$108, and the stock was split. In a display of lack of flexibility that summer Computer Sciences turned down an outsourcing deal with the telecommunications giant BellSouth because at a consultant's urging BellSouth wanted to share the outsourcing deal with Andersen Consulting and EDS. On September 10, 1998, President Clinton appointed Honeycutt chair of the National Security Telecommunications Advisory Committee, which was then working on the year-2000 computer problem, which would have had millions of computers resetting their dates to 1900 on January 1, 2000. With help from Computer Sciences and other technology companies, the government managed to adapt its software and computers in time to avert the resetting to 1900. Later in 1998 Computer Sciences signed a \$3 billion contract with the U.S. Internal Revenue Service to help manage the service's flow of information. By the end of the year Computer Sciences had 45,000 employees in seven hundred offices around the world and had won a reputation for toughness. By then three-fourths of its revenue was coming from commercial businesses.*

*In February 1999 Computer Sciences split stock was trading at \$64 per share, the equivalent of \$128 before the split and \$20 dollars more than Computer Associates International's offer the previous February. Earnings had increased 24 percent. These numbers were above Honeycutt's promises of the previous February. For 1999 revenues were \$7.60 billion. In January 1999 Honeycutt negotiated a \$300 million deal with AT&T to manage AT&T's billing processes. More remarkable was Honeycutt's making peace with Computer Associates International through a deal whereby Wang's company would participate with Computer Sciences in outsourcing work.*

## **55 ABUNDANCE** **(FULLNESS)**

### **MANAGERIAL ISSUE:**

The CEO – managing Abundance (fullness) with the help of an able assistant as the corporation reaches the peak of its cycle.

Hexagram 55 warns the CEO that success and failure are both part of the never ending YIN – YANG Cycle. The CEO must now manage the corporation through this YIN-down cycle in the same way he lead it through the YANG-upward cycle.

### **MANAGERIAL LESSON:**

The Superior CEO knows that the qualities to lead the corporation in periods of a downward cycle are the same as those of leading the corporation in periods of upwards cycles. It requires of a special CEO with special talents and inborn qualities not every CEO has, such as:

- 1) Vision - the CEO who has a clear vision and the leadership qualities to push the corporation to its limits will surely lead it to success. The CEO's vision took this corporation to its full growth, and his new vision will help the CEO to establish the rules, the discipline and the control to bring order out of this period of disorder.
- 2) Focus - a highly focused mind to stay with the great tasks that affect the future of the corporation.
- 3) Endurance - born out of his long-term vision and understanding of the economic YANG and YIN cycles, of the ups and downs.
- 4) Optimism - born out of the complete certainty that regardless of how bad things seem, they will always turn around, and just as times of abundance will turn into times of stagnation, they will eventually turn into a time of abundance once again.
- 5) Attitude - all great corporate CEOs know cycles to be a fact, that abundance is always followed by a downturn, much as the case of IBM, Intel, Oracle, etc. Their CEOs know that trees cannot grow to the sky and that they must abandon some areas to look for growth in other areas in order to renew the corporation time and time again. This is the attitude of the Superior CEO. He is so highly focused on success; he has no time to feel neither the joy nor the sorrow that come with the Yin–Yang cycles.
- 6) Preparedness - It is an irony that at times of full growth is when the corporation is in the greatest of dangers because that is the time when there are more possibilities of disorder, of disarray, and of things coming apart. Growth is difficult to manage. That is the reason why the CEO must prepare for the worst-case scenario.

- 7) Discipline - the wise CEO will adhere to the strict code of rewarding good (YANG) and punishing evil (YIN) to bring the corporation back on track.
- 8) Communication - the CEO's natural optimism must be broadcasted to all employees at all times to prepare them for the difficult times that will surely come and to keep the morale high during such difficult times.

## **INVESTMENT ADVICE:**

For the investor, the Abundance represents in general terms a not so favorable Time-Space to invest. Abundance (Fullness) is positive in the beginning but points to the cycle of Yin to Yang – from full Abundance to semi Abundance to no Abundance. No matter how positive, it points to the inevitability of the decline.

By itself (no lines) the Time-Space points to Success but warns the CEO to prepare for the end of the cycle:

*ABUNDANCE has success.  
The king attains abundance.  
Be not sad.  
Be like the sun at midday.*

*It is not given to every mortal to bring about a time of outstanding greatness and abundance. Only a born ruler of men is able to do it, because his will is directed to what is great. Such a time of abundance is usually brief. Therefore a sage might well feel sad in view of the decline that must follow. But such sadness does not befit him. Only a man who is inwardly free of sorrow and care can lead in a time of abundance. He must be like the sun at midday, illuminating and gladdening everything under heaven.*

The lines include three possibilities of Good Fortune (the 2<sup>nd</sup>, 4<sup>th</sup>, 5<sup>th</sup>), and only one possibility of Misfortune (the sixth).

The following is a case of a corporation under the Abundance Time-Space:

- **Walt Disney Co. DIS under CEO Robert A. Iger**

(Read at the end of the Hexagram)



## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle – bringing about the time of Abundance.

**Managerial Lesson:** Be clear/energetic.

**Managerial Warning:** At the first stage of the Abundance Time-Space, the CEO finds an assistant who complements him. While the CEO has the vision (clarity), the assistant has the strength and managerial skills to materialize the vision (energetic movement). This combination of vision and strength creates tremendous growth or abundance.

**Managerial Advice:** The Superior CEO knows that when he finds an able assistant who can help him execute his vision, he must hold on to him and bind him firmly to the corporation. To accomplish this, the CEO must reward him extremely well and publicly acknowledge his abilities.

All the great CEOs (Steve Jobs, Bill Gates, Larry Ellison, had the vision but they also had very able assistants with the will and skills to carry out the vision - the proper rewards served as incentives.

**Investment Advice:** Do not invest.

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle - when conflict threatens its Abundance.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the second stage of the Abundance Time-Space, the CEO encounters the first sign of conflict between himself and the able helper. The CEO still has the vision, while the able assistant still has the strength and the managerial skills to properly secure the vision. Yet at this very moment when great things can be accomplished, a conspiracy from an unknown group (shareholders or directors) divides this potentially great team. And pride, the eternal reason for the fall of man, takes hold of them.

The I Ching describes this situation as a partial eclipse of the sun, as a partial harm to what could have been a great team. Most corporations have gone through this scenario, including Apple. The bad blood between Steven Jobs and John Sculley was caused by hidden forces bent on destroying what could have been a working team - that of the great idea generator and the marketing man. Once they drove Jobs out, these same dark forces placed the able (in marketing) assistant in the role of the CEO. However, much to their surprise, he proved no match for the job and they lost in time much of the value of their investment.

**Managerial Advice:** The Superior Assistant:

- Realizes the weakness of his position and acts accordingly.
- Keeps in mind that his strength lies in playing second to his CEO, and not forcibly push forward projects or ideas, as this will immediately create opposition.
- Is true to his own ideas and principles because he knows that in the end, the CEO will appreciate his great value and bring him back closer to him.

**Investment Advice:** Do not invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle – its worst moment.

**Managerial Lesson:** Be strong.

**Managerial Warning:** At the third stage of the Abundance Time-Space, the CEO finds he is in a weak position and has lost too much power. He continues to generate ideas but the able assistant cannot carry them out.

**Managerial Advice:** The Superior CEO knows:

- He is so weak anyone can push any initiative against him.
- He must accept the blame for losing power,
- Part of the reason for the losing of power is that he has been too lenient on certain groups, which have risen against him.
- He has allowed dark groups to become stronger in time, and to separate him from his able assistant.
- His best manager is definitely not to blame.

**Investment Advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle - when fate turns in his favor

**Managerial Lesson:** Be wise.

**Managerial Warning:** At the fourth stage of the Abundance Time-Space, the CEO recovers his position of strength as the power of his enemies who conspired against him dwindles. Now the CEO as the symbol of wisdom can gather the best managers around him. The circle of the power of the CEO once again turns, and this time it turns in his own favor.

**Managerial Advice:** The Superior CEO knows that:

- Humility, patience and optimism will eventually pay off and turn the conditions to his own favor.

- When the conditions are in his favor, he must seize the opportunity to put together the best team possible to create the greatest growth period.
- Now is the time for the active and able assistants to meet with the wise CEO and accomplish great projects together. And
- When activity and wisdom meet, only joy can come out of their every action.

**Investment Advice:** Invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle – listening to his best advisors.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Abundance Time-Space, the CEO exercises humility, the greatest quality in a CEO, and listens to his able assistants without any prejudices.

**Managerial Advice:** The Superior CEO knows humility is one of the greatest lessons a CEO can learn: To be humble enough to listen to all his employees regardless of rank. This is the one managerial practice the Japanese are best known for. In the assembly line every worker has the right to make any constructive criticism to improve the productivity of the corporation. This managerial practice alone, if born out of a real sense of humility, will lead any corporation to the greatest of success.

**Investment Advice:** Invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing Abundance (fullness) as the corporation reaches the peak of its cycle - failing due to lack of humility

**Managerial Lesson:** Be noble.

**Managerial Warning:** At the sixth stage of the Abundance Time-Space, the CEO fails to exercise humility, the CEO's greatest quality. Instead, he allows pride, the CEO's greatest enemy, to lead him on the wrong path.

**Managerial Advice:** The Superior CEO knows that:

- Pride will shut his ears to good advice and he will refuse to listen. What good can come out of a managerial practice where the only voice heard is that of the CEO's?, where every other opinion regardless of rank is shut out? If only one is thinking, then no one is thinking.
- Even though he might be sincere in his desire to turn the corporation into the best in the industry, his ego and his desire to be the only idea generator will create such a bad feeling amongst his directors, executives and all other employees, that they will all reject him.

**Investment Advice:** Do not invest.

## MANAGERIAL CASES

### **Walt Disney Co. DIS under CEO Robert A. Iger**

Robert Iger's Performance: ROI= 3.37%      Annualized Return= 0.51%  
SPY's Performance:      ROI= (7.95%)      Annualized Return= (1.25%)

Robert A. Iger became CEO of Walt Disney in October 2005. Since then, his performance has been slightly better than the SPY's.

Because he has been CEO for almost 7 years, we asked the Oracle once more about his future. His new hexagram is Abundance.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 55 – Feng - Abundance (Fullness)*

*Chen is movement; Li is flame, whose attribute is clarity. Clarity within, movement without - this produces greatness and abundance. The hexagram pictures a period of advanced civilization. However, the fact that development has reached a peak suggests that this extraordinary condition of abundance cannot be maintained permanently.*

#### *THE JUDGMENT*

*ABUNDANCE has success.  
The king attains abundance.  
Be not sad.  
Be like the sun at midday.*

*It is not given to every mortal to bring about a time of outstanding greatness and abundance. Only a born ruler of men is able to do it, because his will is directed to what is great. Such a time of abundance is usually brief. Therefore a sage might well feel sad in view of the decline that must follow. But such sadness does not befit him. Only a man who is inwardly free of sorrow and care can lead in a time of abundance. He must be like the sun at midday, illuminating and gladdening everything under heaven.*

#### **2) THE ADVICE**

*Both thunder and lightning come: The image of ABUNDANCE.  
Thus the superior man decides lawsuits  
And carries out punishments.*

*This hexagram has a certain connection with Shih Ho, BITING THROUGH (21), in which thunder and lightning similarly appear together, but in the reverse order. In BITING THROUGH, laws are laid down; here they are applied and enforced. Clarity [Li] within makes it possible to investigate the facts exactly, and shock [Chen] without ensures a strict and precise carrying out of punishments.*

### **3) THE LINES:**

*Nine at the beginning means:*

*When a man meets his destined ruler,  
They can be together ten days,  
And it is not a mistake.  
Going meets with recognition.*

*To bring about a time of abundance, a union of clarity with energetic movement is needed. Two individuals possessed of these two attributes are suited to each other, and even if they spend an entire cycle of time together during the period of abundance, it will not be too long, nor is it a mistake. Therefore one may go forth, in order to make one's influence felt; it will meet with recognition.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 62 - Hsiao Kuo - Preponderance of the Small*

*While in the hexagram Ta Kuo, PREPONDERANCE OF THE GREAT (28), the strong lines preponderate and are within inclosed between weak lines at the top and bottom, the present hexagram has weak lines preponderating, though here again they are on the outside, the strong lines being within. This indeed is the basis of the exceptional situation indicated by the hexagram. When strong lines are outside, we have the hexagram I, PROVIDING NOURISHMENT (27), or Chung Fu, INNER TRUTH (61); neither represents an exceptional state. When strong elements within preponderate, they necessarily enforce their will. This creates struggle and exceptional conditions in general. But in the present hexagram it is the weak element that perforce must mediate with the outside world. If a man occupies a position of authority for which he is by nature really inadequate, extraordinary prudence is necessary.*

*THE JUDGMENT*

*PREPONDERANCE OF THE SMALL.*

*Success.*

*Perseverance furthers.*

*Small things may be done; great things should not be done.*

*The flying bird brings the message:*

*It is not well to strive upward,*

*It is well to remain below.*

*Great good fortune.*

*Exceptional modesty and conscientiousness are sure to be rewarded with success; however, if a man is not to throw himself away, it is important that they should not become empty form and*

*subservience but be combined always with a correct dignity in personal behavior. We must understand the demands of the time in order to find the necessary offset for its deficiencies and damages. In any event we must not count on great success, since the requisite strength is lacking. In this lies the importance of the message that one should not strive after lofty things but hold to lowly things.*

*The structure of the hexagram gives rise to the idea that this message is brought by a bird. In Ta Kuo, PREPONDERANCE OF THE GREAT (28), the four strong, heavy lines within, supported only by two weak lines without, give the image of a sagging ridgepole. Here the supporting weak lines are both outside and preponderant; this gives the image of a soaring bird. But a bird should not try to surpass itself and fly into the sun; it should descend to the earth, where its nest is. In this way it gives the message conveyed by the hexagram.*

### *THE IMAGE*

*Thunder on the mountain: The image of PREPONDERANCE OF THE SMALL.  
Thus in his conduct the superior man gives preponderance to reverence.  
In bereavement he gives preponderance to grief.  
In his expenditures he gives preponderance to thrift.*

*Thunder on the mountain is different from thunder on the plain. In the mountains, thunder seems much nearer; outside the mountains, it is less audible than the thunder of an ordinary storm. Thus the superior man derives an imperative from this image: he must always fix his eyes more closely and more directly on duty than does the ordinary man, even though this might make his behavior seem petty to the outside world. He is exceptionally conscientious in his actions. In bereavement emotion means more to him than ceremoniousness. In all his personal expenditures he is extremely simple and unpretentious. In comparison with the man of the masses, all this makes him stand out as exceptional. But the essential significance of his attitude lies in the fact that in external matters he is on the side of the lowly.*

## **56 THE WANDERER**

### **MANAGERIAL ISSUE:**

The wandering CEO – wandering from one project to another, from one takeover to another.

Hexagram 56 describes two types of wandering CEOs:

- 1) The wanderer investor-CEO - who is always searching for a corporation to buy. He cannot be happy with managing the corporation he just took over, even if he knows he can do it well. He must always look for a new target. He knows his fame and fortune lies in finding the next prey, therefore he must not stay for too long in one single corporation. He must:
  - a) Avoid any situation that will stop his progress even if temporarily,
  - b) Quickly look for value in persons and in assets, keeping what is of value and quickly discarding that which has no value,
  - c) Maintain a quick pace attitude, by imagining he is a shopper in a Turkish bazaar looking for good value for his money, for a quick return in a short period of time. Unlike Warren Buffet, who is the ultimate long term value investor, the workout CEO, like a Don Juan or a Casanova, cannot afford to ruin his reputation by growing old with his conquest.
- 2) The wanderer manager-CEO - the CEO without a corporation, the workout CEO, the freelance CEO, the CEO who is always looking for a corporation in distress to fix, the ruthless specialist, the hired gun.

### **MANAGERIAL LESSON:**

The wandering CEO knows he can be successful, provided he:

- 1) Accepts his nature. He must accept he is a natural predator looking for opportunities in weaker corporations; or a hunter looking for poorly managed corporations or corporations with book value much greater than market value.
- 2) Be resolute. He must be ruthless. Tenacity in hunting is of crucial importance. He must stalk the prey until hunted and then must defend his trophy from other predators.
- 3) Be highly focused. His eyes, like those of an experienced hunter, should never waver from the prey.
- 4) Be gentle and humble, if he wants to win over the employees of the conquered corporation. Arrogance and injustice towards the conquered can only result in hatred and sabotage.
- 5) Be trustworthy, if he wants to be trusted.

- 6) Be friendly, if he wants to make friends - and eventually he will need friends.
- 7) Keep his own counsel, if he wants to avoid taking negative advice given by his enemies to deliberately mislead him.
- 8) Realize he loves the hunt itself more than the hunted object. Much like Donald Trump, he must love the game. In this way he will look for the best preys and the best hunters to accompany him in the hunt. He knows he has no time to waste with losers, such as unprofitable corporations, which no one can turn around or with executives without the guts to do what they must.
- 9) Be just and fair. Imparting justice will earn him respect and admiration.
- 10) Avoid all kinds of litigations, whether they come from the employees' unions or opportunistic investors who feel they have been robbed (they probably were).

### **INVESTMENT ADVICE:**

For the investor, the Wanderer represents in general terms an unfavorable Time-Space to invest. It is quite difficult to manage under a position of constant motion such as that of the Wanderer. This is particularly the case when the wandering CEO is one who is constantly moving from project to project and from corporation to corporation.

By itself (no lines) the Time-Space points to "*Success through smallness*".

*THE WANDERER.*

*Success through smallness.*

*Perseverance brings good fortune*

*To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

The lines include no possibilities of Good Fortune and three of danger or misfortune. The rest are semi negative.

The following are cases of corporations under the Wanderer Time-Space.

- **Starbucks Corp. SBUX under CEO Howard D. Schultz**
- **ARM Holdings plc ARMH under CEO Warren East**
- **BMC Software Inc. BMC under CEO Robert E. Beauchamp**
- **Sigma-Aldrich Corporation SIAL under CEO Rakesh Sachdev**

(Read at the end of the Hexagram)



## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The wandering CEO – picking the right project / corporation to go after.

**Managerial Lesson:** Be dignifying.

**Managerial Warning:** At the first stage of the Wanderer Time-Space, the CEO risks “*demeaning or busying himself with inferior things*”

**Managerial Advice:** The Superior CEO knows that:

- He must act like a good general by picking the fight of his own choice, of his own time and of his own place.
- To come in at a disadvantageous position will only make him the laughing stock of all the employees of the conquered corporation.

**Investment advice:** Do not invest

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The wandering CEO – taking over the corporation with the proper attitude.

**Managerial Lesson:** Be modest / reserved.

**Managerial Warning:** At the second stage of the Wanderer Time-Space, the CEO finds his modesty helps him win friends.

**Managerial Advice:** The Superior CEO knows the proper way to come into a newly acquired corporation is to come in with the proper attitude: with humility, observing all the rules, and keeping his own counsel. Then he will win friends and loyal executives to assist him in all his tasks.

**Investment advice:** Do not invest. Look for other alternatives.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The wandering CEO – taking over the corporation with the wrong attitude.

**Managerial Lesson:** Be gentle.

**Managerial Warning:** At the third stage of the Wanderer Time-Space, the CEO “*does not know how to behave properly*”.

**Managerial Advice:** The Superior CEO knows that to take over a corporation with the wrong attitude, foolishly breaking all the rules of the hunt, and particularly lacking in focus, humility and gentleness, will only end in disgrace and further losses.

**Investment advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The wandering CEO – failing to take over the corporation in spite of having the proper attitude.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the fourth stage of the Wanderer Time-Space, the CEO “*knows how to limit his desires outwardly, though he is inwardly strong and aspiring*”.

**Managerial Advice:** The Superior CEO knows that he must have the right attitude and find the proper corporation to take over; otherwise, even though he is able to conquer the project/corporation, he will fail to feel comfortable with his position in spite of his leadership and managerial qualities.

**Investment advice:** Do not invest.

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The wandering CEO – warming up to the Board of Directors of a targeted corporation.

**Managerial Lesson:** Be diplomatic.

**Managerial Warning:** At the fifth stage of the Wanderer Time-Space, the CEO finds he must warm up to the CEO or the Board of Directors of a targeted corporation. His aim is to get his or their approval to help him in his buy out effort or bring him in on board as a workout-CEO;

**Managerial Advice:** The Superior CEO knows to get someone's support he must “*know how to meet the situation and how to introduce himself in the right way*”, He must first prove he is worth it and up to the task. What are his previous accomplishments? Did he save any other corporation in similar circumstances? Does he have an extensive curriculum proving he has the abilities? Does he have influential friends who can vouch for him? If the answer to these questions is positive, then the CEO or the Board of Directors will support him.

**Investment advice:** Do not invest.

## NINE IN THE SIXTH PLACE

**Managerial Issue:** The wandering CEO – failing to strengthen the targeted corporation due to his poor attitude.

**Managerial Lesson:** Be prudent / humble.

**Managerial Warning:** At the sixth stage of the Wanderer Time-Space, the CEO “*is heedless and imprudent*” and “*loses his modesty and adaptability*”. Thus he fails to strengthen the targeted corporation.

**Managerial Advice:** The Superior CEO knows he must never forget his own wandering predatory nature otherwise he will fail in his task. He must always be himself: a predator who is careful and adaptable. This condition can only get worse if, in addition, he forgets the most basic of the rules for success - humility.

**Investment advice:** Do not invest.

## MANAGERIAL CASES

### **Starbucks Corp. SBUX under CEO Howard D. Schultz**

Howard Schultz's Performance:	ROI= 92.27%	Annualized Return= 19.06%
SPY's Performance:	ROI= (18.36%)	Annualized Return= (5.27%)

Howard D. Schultz is the founder of Starbucks Corporation and served as chairman of the board of directors since its inception in 1985. In January 2008, he reassumed the role of president and chief executive officer. Since his return in 2008, his performance has been that of a Superior CEO compared to the SPY's.

### Points the investor should consider:

#### 1) THE HEXAGRAM

*HEXAGRAM 56 - Lu - The Wanderer*

*The mountain, Ken, stands still; above it fire, Li, flames up and does not tarry. Therefore the two trigrams do not stay together. Strange lands and separation are the wanderer's lot.*

## THE JUDGMENT

### THE WANDERER.

*Success through smallness.  
Perseverance brings good fortune  
To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

## 2) THE ADVICE

*Fire on the mountain: The image of THE WANDERER.  
Thus the superior man  
Is clear-minded and cautious  
In imposing penalties,  
And protracts no lawsuits.*

*When grass on a mountain takes fire, there is bright light. However, the fire does not linger in one place, but travels on to new fuel. It is a phenomenon of short duration. This is what penalties and lawsuits should be like. They should be a quickly passing matter, and must not be dragged out indefinitely. Prisons ought to be places where people are lodged only temporarily, as guests are. They must not become dwelling places.*

## 3) THE LINES:

There are no moving lines.

## 4) THE MOVING HEXAGRAM

There is no moving Hexagram because there are no moving lines. The focusing point is the Judgment.

## THE JUDGMENT

### THE WANDERER.

*Success through smallness.  
Perseverance brings good fortune  
To the wanderer.*

It is interesting to note the Nuclear Hexagram.

## **NUCLEAR HEXAGRAM**

### HEXAGRAM 28 - Ta Kuo - Preponderance of the Great

*This hexagram consists of four strong lines inside and two weak lines outside. When the strong are outside and the weak inside, all is well and there is nothing out of balance, nothing extraordinary in the situation. Here, however, the opposite is the case. The hexagram represents a beam that is thick and heavy in the middle but too weak at the ends. This is a condition that cannot last; it must be changed, must pass, or misfortune will result.*

### THE JUDGMENT

#### **PREPONDERANCE OF THE GREAT.**

*The ridgepole sags to the breaking point.  
It furthers one to have somewhere to go.  
Success.*

*The weight of the great is excessive. The load is too heavy for the strength of the supports. The ridgepole, on which the whole roof rests, sags to the breaking point, because its supporting ends are too weak for the load they bear. It is an exceptional time and situation; therefore extraordinary measures are demanded. It is necessary to find a way of transition as quickly as possible, and to take action. This promises success. For although the strong element is in excess, it is in the middle, that is, at the center of gravity, so that a revolution is not to be feared. Nothing is to be achieved by forcible measures.*

*The problem must be solved by gentle penetration to the meaning of the situation (as is suggested by the attribute of the inner trigram, Sun); then the change-over to other conditions will be successful. It demands real superiority; therefore the time when the great preponderates is a momentous time.*

### THE IMAGE

*The lake rises above the trees: The image Of PREPONDERANCE OF THE GREAT.  
Thus the superior man, when he stands alone,  
Is unconcerned,  
And if he has to renounce the world,  
He is undaunted.*

*Extraordinary times when the great preponderates are like flood times when the lake rises over the treetops. But such conditions are temporary. The two trigrams indicate the attitude proper to such exceptional times: the symbol of the trigram Sun is the tree, which stands firm even though it stands alone, and the attribute of Tui is joyousness, which remains undaunted even if it must renounce the world.*

## ARM Holdings plc ARMH under CEO Warren East

Warren East's Performance:	ROI= 90.80%	Annualized Return= 6.67%
SPY's Performance:	ROI= 4.49%	Annualized Return= 0.44%

Warren East became CEO of ARM Holdings on October of 2001. Since then, he has been able to outperform the SPY substantially.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Wanderer.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six in the second place means:*

*The wanderer comes to an inn.*

*He has his property with him.*

*He wins the steadfastness (1) of a young servant.*

*The wanderer here described is modest and reserved. He does not lose touch with his inner being, hence he finds a resting place. In the outside world he does not lose the liking of other people, hence all persons further him, so that he can acquire property. Moreover, he wins the allegiance of a faithful and trustworthy servant - a thing of inestimable value to a wanderer.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 50 – Ting - The Caldron*

*The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting,*

*as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

## THE JUDGMENT

### THE CALDRON.

*Supreme good fortune.*

*Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

## THE IMAGE

*Fire over wood: The image of THE CALDRON.*

*Thus the superior man consolidates his fate*

*By making his position correct.*

*The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing. These words contain hints about the fostering of life as handed on by oral tradition in the secret teachings of Chinese yoga,*

1. *[There are beautiful examples of the Ting in most of our museums where they are classified as ritual vessels. The German word used by Wilhelm for Ting is Tiegel, meaning literally "caldron" and, in another sense, "crucible." Since this characteristic Chinese vessel is unique in form, so different from either a caldron or a crucible in the usual sense, the word Ting has been retained wherever feasible here.]*

2. *Cf. the other three hexagrams dealing with nourishment, viz., hexagrams 5, 27, 48.*

## **BMC Software Inc. BMC under CEO Robert E. Beauchamp**

Robert Beauchamp's Performance: ROI= 37.68%      Annualized Return= 3.01%  
SPY's Performance:                      ROI= (16.49%)      Annualized Return= (1.66%)

Robert E. Beauchamp became CEO of BMC Software on January of 2001. Since then, he has been able to outperform the SPY.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Wanderer.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six in the fifth place means:*

*He shoots a pheasant.*

*It drops with the first arrow.*

*In the end this brings both praise and office.*

*Traveling statesmen were in the habit of introducing themselves to local princes with the gift of a pheasant. Here the wanderer wants to enter the service of a prince. To this end he shoots a pheasant, killing it at the first shot. Thus he finds friends who praise and recommend him, and in the end the prince accepts him and confers an office upon him.*

*Circumstances often cause a man to seek a home in foreign parts. If he knows how to meet the situation and how to introduce himself in the right way, he may find a circle of friends and a sphere of activity even in a strange country.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 33 – Tun - Retreat*

*The power of the dark is ascending. The light retreats to security, so that the dark cannot encroach upon it. This retreat is a matter not of man's will but of natural law. Therefore in this case withdrawal is proper; it is the correct way to behave in order not to exhaust one's forces. 1*



*In the calendar this hexagram is linked with the sixth month (July-August), in which the forces of winter are already showing their influence.*

### THE JUDGMENT

*RETREAT. Success.*

*In what is small, perseverance furthers.*

*Conditions are such that the hostile forces favored by the time are advancing. In this case retreat is the right course, and it is through retreat that success is achieved. But success consists in being able to carry out the retreat correctly. Retreat is not to be confused with flight. Flight means saving oneself under any circumstances whereas retreat is a sign of strength. We must be careful not to miss the right moment while we are in full possession of power and position. Then we shall be able to interpret the signs of the time before it is too late and to prepare for provisional retreat instead of being drawn into a desperate life-and-death struggle. Thus we do not simply abandon the field to the opponent; we make it difficult for him to advance by showing perseverance in single acts of resistance. In this way we prepare, while retreating, for the counter - movement. Understanding the laws of a constructive retreat of this sort is not easy. The meaning that lies hidden in such a time is important.*

### THE IMAGE

*Mountain under heaven: the image of RETREAT.*

*Thus the superior man keeps the inferior man at a distance,  
Not angrily but with reserve.*

*The mountain rises up under heaven, but owing to its nature it finally comes to a stop. Heaven on the other hand retreats upward before it into the distance and remains out of reach. This symbolizes the behavior of the superior man toward a climbing inferior; he retreats into his own thoughts as the inferior man comes forward. He does not hate him, for hatred is a form of subjective involvement by which we are bound to the hated object. The superior man shows strength (heaven) in that he brings the inferior man to a standstill (mountain) by his dignified reserve.*

1. *The idea expressed by this hexagram is similar to that in the saying of Jesus: "But I say unto you, That ye resist not evil" (Matt. 5:39)-*

## **Sigma-Aldrich Corporation SIAL under CEO Rakesh Sachdev**

Rakesh Sachdev's Performance:	ROI= (0.27%)	Annualized Return= (0.30%)
SPY's Performance:	ROI= (4.67%)	Annualized Return= (5.23%)

Rakesh Sachdev became CEO of Sigma-Aldrich on November of 2010. Since then, he has not been able to outperform the SPY.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the third place means:*

*The wanderer's inn burns down.*

*He loses the steadfastness of his young servant.*

*Danger.*

*A truculent stranger does not know how to behave properly. He meddles in affairs and controversies that do not concern him; thus he loses his resting place. He treats his servant with aloofness and arrogance; thus he loses the man's loyalty. When a stranger in a strange land has no one left on whom he can rely, the situation becomes very dangerous.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 35 – Chin - Progress*

*The hexagram represents the sun rising over the earth. It is therefore the symbol of rapid, easy progress, which at the same time means ever widening expansion and clarity.*

*THE JUDGMENT*

*PROGRESS.*

*The powerful prince*

*Is honored with horses in large numbers.*

*In a single day he is granted audience three times.*

*As an example of progress, this pictures a time when a powerful feudal lord rallies the other lords around the sovereign and pledges fealty and peace. The sovereign rewards him richly and invites him to a closer intimacy.*

*A twofold idea is set forth here. The actual effect of the progress emanates from a man who is in a dependent position and whom the others regard as their equal and are therefore willing to follow. This leader has enough clarity of vision not to abuse his great influence but to use it rather for the benefit of his ruler. His ruler in turn is free of all jealousy, showers presents on the*

*great man, and invites him continually to his court. An enlightened ruler and an obedient servant - this is the condition on which great progress depends.*

### *THE IMAGE*

*The sun rises over the earth: The image Of PROGRESS.  
Thus the superior man himself  
Brightens his bright virtue.*

*The light of the sun as it rises over the earth is by nature clear. The higher the sun rises, the more it emerges from the dark mists, spreading the pristine purity of its rays over an ever widening area. The real nature of man is likewise originally good, but it becomes clouded by contact with earthly things and therefore needs purification before it can shine forth in its native clarity. 1*

## **57 THE GENTLE (THE PENETRATING)**

### **MANAGERIAL ISSUE:**

The gentle CEO – being gentle to penetrate all aspects of the corporation.

Hexagram 57 refers to a gentle CEO. However, gentleness can be deceiving, for gentleness can be an iron fist behind a velvet glove. A gentle CEO can penetrate or conquer even the worst situation with his own kindness. Even evil, at its worst, will eventually surrender to the power of gentleness, as shown by Mother Theresa.

The I Ching says: *“The dark principle, in itself rigid and immovable, is dissolved by the penetrating light principle, to which it subordinates itself in gentleness”.*

### **MANAGERIAL LESSON:**

The Superior CEO uses his own natural weapons for the gentle penetration of all aspects of the corporation:

- 1) Truth to dispel evil lies.
- 2) Righteousness to keep evil actions from hurting the corporation.
- 3) Gentleness and modesty, particularly when making changes. The Superior CEO avoids violent changes or violent penetration, because violence leads to destruction and there is no need to hurt anyone. He applies evolutionary changes or gentle penetration because such changes are much more lasting than revolutionary changes.
- 4) A highly focused mind to keep his target on sight at all times.
- 5) Tenacity in the relentless pursuit of his goals. Tenacity is what makes the gentle penetration so effective. And
- 6) Communication skills to let everyone know well ahead of time about:
  - a) The goals,
  - b) The means to achieve such goals, and
  - c) The role everyone must play in achieving such goals.

The Superior CEO practices the three rules of change: communication, communication, communication. He knows that to be successful he needs to establish the correct attitude for the collective action of all the employees. That such collective action can be achieved only if every employee acts together as a team, as if moved by a single mind, because only then will they easily achieve the goals. Communication will serve him to establish this attitude. With such attitude, the gentle CEO can bring peace and order to any corporation in chaos.

## **INVESTMENT ADVICE:**

For the investor, the Gentle (Penetrating) represents in general terms an unfavorable Time-Space to invest.

By itself (no lines) the Time-Space points to success provided the CEO subordinates to an eminent man capable of creating order.

### *THE GENTLE.*

*Success through what is small.*

*It furthers one to have somewhere to go.*

*It furthers one to see the great man.*

*Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.*

The lines include only two possibilities of Good Fortune, two real negatives and two semi negative.

The following are cases of corporations under the Gentle Time-Space.

- **Bank of America Corporation BAC under CEO Brian T. Moynihan**
- **EMC Corporation EMC under CEO Joseph M. Tucci**
- **Comcast Corporation CMCSK under CEO Brian L. Roberts**
- **PACCAR Inc. PCAR under CEO Mark C. Pigott**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation – a gentle penetration without resolution can be a negative managerial practice.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the first stage of the Gentle (Penetrating) Time-Space, the CEO risks being so gentle as to be irresolute.

**Managerial Advice:** The Superior CEO knows that:

- Gentleness without the use of the proper weapons leads to hesitation, and he who hesitates is lost.
- At times of hesitation he must keep in mind his duty, do as his duty demands, and do it with his utmost determination.
- The key to the success of the gentle penetration is determination.

The U.S. Marines say that even a hastily prepared plan if it is executed with the utmost determination is more likely to succeed than a perfectly prepared plan executed without any determination.

**Investment advice:** Do not invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation – relentless in his penetration.

**Managerial Lesson:** Be relentless.

**Managerial Warning:** At the second stage of the Gentle (Penetrating) Time-Space, the CEO finds he must penetrate the heart of the corporate culture, its prejudices, its beliefs, and what makes it or does not make it tick. He must look for hidden enemies (people or principles).

**Managerial Advice:** The Superior CEO knows that:

- Even though bad corporate beliefs may seem like harmless ideas, there usually are evil people behind these ideas, people who are well entrenched in the corporation.
- He must use his tenacity as his main weapon to penetrate into the real source of these evil ideas, as well as into the evil people inside the corporation who generate these ideas.
- Once he successfully penetrates both, then he must use the truth as his “weapon” to vanish these people and their ideas from the corporation.

This is a typical case of a corporation with a set of beliefs no longer in tune with the times. It is usually these sets of beliefs, which do more harm than even its competitors. It was a set of beliefs that hurt Apple Computers during its darkest days.

**Investment advice:** Invest.

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation - when to plan and when to execute the plan.

**Managerial Lesson:** Be balanced (reflection versus action).

**Managerial Warning:** At the third stage of the Gentle (Penetrating) Time-Space, the CEO finds that too much planning is as bad as no planning at all.

**Managerial Advice:** The Superior CEO knows that:

- Once he has developed a plan in his mind, he must execute it at once.
- Should he fail to act, the employees will perceive it as sign of weakness and he will lose their respect.
- Must keep in mind at all times that it is the relentless and continuous action that gives gentleness its power.

There was an old idea that the Japanese took a long time in deciding but a brief time in executing while the Americans took a brief time in deciding and a long time in executing. It is a matter of finding a proper balance between deciding and executing.

**Investment advice:** Do not invest.

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation – by combining the best qualities - humility and resolution.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fourth stage of the Gentle (Penetrating) Time-Space, the CEO “*combines innate modesty with energetic action*”,

**Managerial Advice:** The Superior CEO knows that when he combines even the most basic qualities mentioned in the beginning of the Hexagram he will successfully accomplish the task of penetrating the corporation. However, he does not have to have them all. Humility alone would do it.

**Investment advice:** Do not invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation – by applying the law of cause and effect.

**Managerial Lesson:** Be steadfast/correct.

**Managerial Warning:** At the fifth stage of the Gentle (Penetrating) Time-Space, the CEO must realize the importance of cause and effect (follow up).

**Managerial Advice:** The Superior CEO knows that:

- Every action generates a reaction, which in turn generates another action and so forth in a never-ending chain.

- Once the gentle CEO executes a plan, he must be ready and willing to make adjustments.
- No plan is so perfect that it takes into consideration all possible future reactions; however, the CEO can make adjustments as they become necessary.
- These continuous adjustments require the CEO execute his plans with the “weapons” mentioned in the beginning of the Hexagram.
- When he makes a change, he should apply the loop and exercise:
  1. Gentleness to execute the change, then
  2. Patience to wait for the plan to take shape, then
  3. Humility to realize his plan has errors in it, then
  4. Tenacity to seek the truth above all, then
  5. A focused mind to stick only to the issues and to the issues only, then
  6. Communication skills to make everyone aware of the changes, then
  1. Gentleness to execute the changes, and  
(Repeat the cycle).

**Investment advice:** Invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The gentle CEO – gently penetrating the corporation – being gentle but lacking the strength to gently penetrate the corporation.

**Managerial Lesson:** Be wise.

**Managerial Warning:** At the sixth stage of the Gentle (Penetrating) Time-Space, the CEO finds at times even his gentleness will not allow him to penetrate the corporation.

**Managerial Advice:** The Superior CEO knows that:

- There will be times when even his gentleness and tenacity will bear no effect on the corporation.
- When the CEO lacks the Mandate of Heaven and fate is not in his favor, even for the CEO who holds all the weapons and qualities required in this Hexagram, it is best not to get involved with this corporation.
- In such cases it is best to just let the rotten corporate culture collapse on its own weight, to let evil touch bottom, so that he might eventually work on what is left.

**Investment advice:** Do not invest.



## MANAGERIAL CASES

### **Bank of America Corporation BAC under CEO Brian T. Moynihan**

Brian Moynihan's Performance:	ROI= (61.23%)	Annualized Return= (41.80%)
SPY's Performance:	ROI= 2.52%	Annualized Return= 1.43%

Brian T. Moynihan became CEO of Bank of America in January of 2010. Since then, his performance has been extremely poor.

#### **Points the investor should consider:**

##### **1) THE HEXAGRAM**

*HEXAGRAM 57 – Sun - The Gentle (The Penetrating, Wind)*

*Sun is one of the eight doubled trigrams. It is the eldest daughter and symbolizes wind or wood; it has for its attribute gentleness, which nonetheless penetrates like the wind or like growing wood with its roots.*

*The dark principle, in itself rigid and immovable, is dissolved by the penetrating light principle, to which it subordinates itself in gentleness. In nature, it is the wind that disperses the gathered clouds, leaving the sky clear and serene. In human life it is penetrating clarity of judgment that thwarts all dark hidden motives. In the life of the community it is the powerful influence of a great personality that uncovers and breaks up those intrigues which shun the light of day.*

#### *THE JUDGMENT*

##### *THE GENTLE.*

*Success through what is small.*

*It furthers one to have somewhere to go.*

*It furthers one to see the great man.*

*Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.*

## 2) THE ADVICE

*Winds following one upon the other: The image of THE GENTLY PENETRATING.  
Thus the superior man  
Spreads his commands abroad  
And carries out his undertakings.*

*The penetrating quality of the wind depends upon its ceaselessness. This is what makes it so powerful; time is its instrument. In the same way the ruler's thought should penetrate the soul of the people. This too requires a lasting influence brought about by enlightenment and command. Only when the command has been assimilated by the people is action in accordance with it possible. Action without preparation of the ground only frightens and repels.*

## 3) THE LINES:

*Nine in the third place means:*  
*Repeated penetration.  
Humiliation.*

*Penetrating reflection must not be pushed too far, lest it cripple the power of decision. After a matter has been thoroughly pondered, it is essential to form a decision and to act. Repeated deliberation brings fresh doubts and scruples, and thereby humiliation, because one shows oneself unable to act.*

*Six in the fourth place means:*  
*Remorse vanishes.  
During the hunt  
Three kinds of game are caught.*

*When a responsible position and accumulated experience lead one to combine innate modesty with energetic action, great success is assured. The three kinds of animals referred to, served for offerings to the gods, for feasting guests, and for everyday consumption. When the catch answered all three purposes, the hunt was considered especially successful.*

## 4) THE MOVING HEXAGRAM

*HEXAGRAM 06 – Sung - Conflict*

*The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.*

*The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.*

*A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.*

## THE JUDGMENT

*CONFLICT. You are sincere  
And are being obstructed.  
A cautious halt halfway brings good fortune.  
Going through to the end brings misfortune.  
It furthers one to see the great man.  
It does not further one to cross the great water.*

*Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.*

*If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.*

*In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.*

## THE IMAGE

*Heaven and water go their opposite ways: The image of Conflict.  
Thus in all his transactions the superior man  
Carefully considers the beginning.*

*The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.*

## **EMC Corporation EMC under CEO Joseph M. Tucci**

Joseph Tucci's Performance:	ROI= (67.56%)	Annualized Return= (9.95%)
SPY's Performance:	ROI= (11.75%)	Annualized Return= (1.16%)

Joseph M. Tucci became CEO of EMC in January of 2001. Since then, his performance has been extremely poor – particularly in the last 6 months.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Gentle (Penetration).

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

There are no moving lines.

### **4) THE MOVING HEXAGRAM**

There is no moving Hexagram because there are no moving lines. The focusing point is the Judgment.

#### *THE GENTLE.*

*Success through what is small.*

*It furthers one to have somewhere to go.*

*It furthers one to see the great man.*

*Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.*

Of interest is the Nuclear hexagram.

### **NUCLEAR HEXAGRAM**

*HEXAGRAM 38 - K'uei - Opposition*

*This hexagram is composed of the trigram Li above, i.e., flame, which burns upward, and Tui below, i.e., the lake, which seeps downward. These two movements are in direct contrast. Furthermore, Li is the second daughter and Tui the youngest daughter, and although they live in the same house they belong, to different men; hence their wills are not the same but are divergently directed.*

## THE JUDGMENT

### OPPOSITION.

*In small matters, good fortune.*

*When people live in opposition and estrangement they cannot carry out a great undertaking in common; their points of view diverge too widely. In such circumstances one should above all not proceed brusquely, for that would only increase the existing opposition; instead, one should limit oneself to producing gradual effects in small matters. Here success can still be expected, because the situation is such that the opposition does not preclude all agreement.*

*In general, opposition appears as an obstruction, but when it represents polarity within a comprehensive whole, it has also its useful and important functions. The oppositions of heaven and earth, spirit and nature, man and woman, when reconciled, bring about the creation and reproduction of life. In the world of visible things, the principle of opposites makes possible the differentiation by categories through which order is brought into the world.*

## THE IMAGE

*Above, fire, below, the lake: The image of OPPOSITION.*

*Thus amid all fellowship*

*The superior man retains his individuality.*

*The two elements, fire and water, never mingle but even when in contact retain their own natures. So the cultured man is never led into baseness or vulgarity through intercourse or community of interests with persons of another sort; regardless of all commingling, he will always preserve his individuality.*

## Comcast Corporation CMCSK under CEO Brian L. Roberts

Brian Roberts' Performance:	ROI= 44.28%	Annualized Return= 4.19%
SPY's Performance:	ROI= 23.95%	Annualized Return= 2.43%

Brian L. Roberts became CEO of Comcast in November of 2002. Since then, he has been able to outperform the SPY.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Gentle (Penetrating).

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine at the top means:*

*Penetration under the bed.*

*He loses his property and his ax.*

*Perseverance brings misfortune.*

*A man's understanding is sufficiently penetrating. He follows up injurious influences into the most secret corners. But he no longer has the strength to combat them decisively. In this case any attempt to penetrate into the personal domain of darkness would only bring harm.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 48 – Ching - The Well*

*Wood is below, water above. The wood goes down into the earth to bring up water. The image derives from the pole-and-bucket well of ancient China. The wood represents not the buckets, which in ancient times were made of clay, but rather the wooden poles by which the water is hauled up from the well. The image also refers to the world of plants, which lift water out of the earth by means of their fibers.*

*The well from which water is drawn conveys the further idea of an inexhaustible dispensing of nourishment.*

*THE JUDGMENT*

*THE WELL.*

*The town may be changed,*

*But the well cannot be changed.*

*It neither decreases nor increases.*

*They come and go and draw from the well.*

*If one gets down almost to the water*

*And the rope does not go all the way,*

*Or the jug breaks, it brings misfortune.*

*In ancient China the capital cities were sometimes moved, partly for the sake of more favorable location, partly because of a change in dynasties. The style of architecture changed in the course of centuries, but the shape of the well has remained the same from ancient times to this day. Thus the well is the symbol of that social structure which, evolved by mankind in meeting its most primitive needs, is independent of all political forms. Political structures change, as do nations, but the life of man with its needs remains eternally the same - this cannot be changed. Life is also inexhaustible. It grows neither less nor more; it exists for one and for all. The generations come and go, and all enjoy life in its inexhaustible abundance.*

*However, there are two prerequisites for a satisfactory political or social organization of mankind. We must go down to the very foundations of life. For any merely superficial ordering of life that leaves its deepest needs unsatisfied is as ineffectual as if no attempt at order had ever been made. Carelessness - by which the jug is broken - is also disastrous. If for instance the military defense of a state is carried to such excess that it provokes wars by which the power of the state is annihilated, this is a breaking of the jug.*

*This hexagram applies also to the individual. However men may differ in disposition and in education, the foundations of human nature are the same in everyone. And every human being can draw in the course of his education from the inexhaustible wellspring of the divine in man's nature. But here likewise two dangers threaten: a man may fail in his education to penetrate to the real roots of humanity and remain fixed in conventions partial education of this sort is as bad as none or he may suddenly collapse and neglect his self-development.*

#### THE IMAGE

*Water over wood: the image of THE WELL.  
Thus the superior man encourages the people at their work,  
And exhorts them to help one another.*

*The trigram Sun, wood, is below, and the trigram K'an, water, is above it. Wood sucks water upward. Just as wood as an organism imitates the action of the well, which benefits all parts of the plant, the superior man organizes human society, so that, as in a plant organism, its parts cooperate for the benefit of the whole.*

## **PACCAR Inc. PCAR under CEO Mark C. Pigott**

Mark Pigott's Performance:	ROI= 465.33%	Annualized Return= 12.44%
SPY's Performance:	ROI= 48.57%	Annualized Return= 2.72%

Mark C. Pigott became CEO of PACCAR Inc. in January of 1997. Since then, he has been able to outperform the SPY substantially.

Because he has been CEO for a long time, we asked the Oracle once more about his future. His new hexagram is The Gentle (The Penetrating).

Since mid-2011 his performance has been below the SPY's, thus he needs to change his strategy.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Nine in the second place means:

*Penetration under the bed.*

*Priests and magicians are used in great number.*

*Good fortune.*

*No blame.*

*At times one has to deal with hidden enemies, intangible influences that slink into dark corners and from this hiding affect people by suggestion. In instances like this, it is necessary to trace these things back to the most secret recesses, in order to determine the nature of the influences to be dealt with. This is the task of the priests; removing the influences is the task of the magicians. The very anonymity of such plotting requires an especially vigorous and indefatigable effort, but this is well worth while. For when such elusive influences are brought into the light and branded, they lose their power over people.*

Nine in the third place means:

*Repeated penetration.*

*Humiliation.*

*Penetrating reflection must not be pushed too far, lest it cripple the power of decision. After a matter has been thoroughly pondered, it is essential to form a decision and to act. Repeated deliberation brings fresh doubts and scruples, and thereby humiliation, because one shows oneself unable to act.*



#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 20 – Kuan - Contemplation (View)*

*A slight variation of tonal stress gives the Chinese name for this hexagram a double meaning. It means both contemplating and being seen, in the sense of being an example. These ideas are suggested by the fact that the hexagram can be understood as picturing a type of tower characteristic of ancient China.*

*A tower of this kind commanded a wide view of the country; at the same time, when situated on a mountain, it became a landmark that could be seen for miles around. Thus the hexagram shows a ruler who contemplates the law of heaven above him and the ways of the people below, and who, by means of good government, sets a lofty example to the masses.*

*This hexagram is linked with the eighth month (September - October). The light-giving power retreats and the dark power is again on the increase. However, this aspect is not material in the interpretation of the hexagram as a whole.*

#### **THE JUDGMENT**

##### **CONTEMPLATION.**

*The ablution has been made,  
But not yet the offering.  
Full of trust they look up to him.*

*The sacrificial ritual in China began with an ablution and a libation by which the Deity was invoked, after which the sacrifice was offered. The moment of time between these two ceremonies is the most sacred of all, the moment of deepest inner concentration. If piety is sincere and expressive of real faith, the contemplation of it has a transforming and awe-inspiring effect on those who witness it.*

*Thus also in nature a holy seriousness is to be seen in the fact that natural occurrences are uniformly subject to law. Contemplation of the divine meaning underlying the workings of the universe gives to the man who is called upon to influence others the means of producing like effects. This requires that power of inner concentration which religious contemplation develops in great men strong in faith. It enables them to apprehend the mysterious and divine laws of life, and by means of profoundest inner concentration they give expression to these laws in their own persons. Thus a hidden spiritual power emanates from them, influencing and dominating others without their being aware of how it happens.*

#### **THE IMAGE**

*The wind blows over the earth: The image of CONTEMPLATION.  
Thus the kings of old visited the regions of the world,  
Contemplated the people,  
And gave them instruction.*

*When the wind blows over the earth it goes far and wide and the grass must bend to its power. These two occurrences find confirmation in the hexagram. The two images are used to symbolize a practice of the kings of old; in making regular journeys the ruler could, in the first*

*place, survey his realm and make certain that none of the existing usages of the people escaped notice; in the second, he could exert influence through which such customs as were unsuitable could be changed.*

*All of this points to the power possessed by a superior personality. On the one hand, such a man will have a view of the real sentiments of the great mass of humanity and therefore cannot be deceived; on the other, he will impress the people so profoundly, by his mere existence and by the impact of his personality, that they will be swayed by him as the grass by the wind.*

## **58 THE JOYOUS**

### **MANAGERIAL ISSUE:**

The CEO – managing to lead the employees with enthusiasm to create the joyous corporation.

Hexagram 58 refers to a CEO who builds a successful corporation through joy, happiness and enthusiasm. Corporate joy means highly motivated employees, superb quality products, strong revenues, high income, and excellent employee rewards. This, in turn, motivates the employees to make even better products to generate greater revenues and so on. A happy corporation builds its happiness from within.

The Superior CEO creates the Joyous corporation by:

- Gathering the best brains in the industry.
- Establishing the best compensation system. And
- Developing a strong corporate discipline in a relaxed atmosphere.

### **MANAGERIAL LESSON**

The Superior CEO knows that to create the Joyous corporation, he must realize that:

- 1) All men want to be joyous (happy). The Greek philosophers recognized it as man's principal objective and so did the founding fathers when they called it one of man's inalienable rights. The corporate world is similar. Customers and employees want to be happy. The CEO who recognizes this need and fulfills such need is well on his way to success.
- 2) Joy must be unwavering and balanced so that corporate happiness is not confused with buffoonery, lacking managerial discipline or rules. The I Ching says: "*joy must be based on steadfastness if it is not to degenerate into uncontrolled mirth.*"
- 3) Clients want happiness rather than products. This is reflected in the concept of "sell the sizzle not the steak". Happiness means selling the clients the visuals of cooking the steak and all the smells and taste associated with it rather than selling the raw bloody meat. That is why Kodak used to sell "happy moments" rather than film or cameras, or Procter sells happy coffee breaks rather than the actual coffee, or the airlines sell comfortable transportation rather than flights, or the car industry sells prestige or luxury or economy rather than cars. All corporations sell the benefits rather than the product because it is the benefits that make us happy. This is the best marketing rule and the I Ching mentioned it over 2,500 years ago.
- 4) Happiness is contagious. That is important in creating referrals and repeated business. The joy of holding an iPod or an iPhone or an iPad is contagious. The customer wants to share his happiness with his friends and that is why he recommends it.

- 5) For the corporation to provide true happiness to its customers there must be value behind the product. The happy corporation must take seriously the truth in advertising concept. The Superior CEO knows that he is answerable first to Heaven and then to man.

Applying Abe Lincoln's famous advice, we could say that:

- a) The CEO can fool some of the customers with its products some of the time but he cannot fool all of the customers all of the time. And,
  - b) For the CEO to win a customer to his cause or product he must first prove to the customer that he is his true friend. The I Ching says: *"When, on the other hand, the hearts of men are won by friendliness, they are led to take all hardships upon themselves willingly, and if need be, will not shun death itself, so great is the power of joy over men"*.
- 6) A corporation can sell a client a faulty product or force him to accept a poor service because of temporary monopolistic circumstances but, in the end, competitors will sense the corporation's weakness and provide customers with a better alternative. The clients will always choose the better alternative. Now that it is fashionable to WAO the client or to turn him into a raving fan, it is interesting to note that the I Ching has been advising people rightly for so long on this issue – that in essence, all customers want happiness.
- 7) For the CEO, the issue of happiness must also hold true for his employees. The CEO must sell the employees the benefits of fulfilling the corporation's mission rather than selling them just a job. Every employee must have a mission, not a job. The Superior CEO knows his prime managerial goal is to recognize the employee's merits, and reward them accordingly. Rewards, however, should include both:
- a) Tangible items such as pay, incentives for performance such as bonuses and stock options plans based on direct and measurable performance, and other benefits such as insurance and home loans. And
  - b) Intangible items such as a proper working environment and even a sense of pride in their corporation and teamwork.

Google, following the example of Microsoft, has been very successful at creating such working conditions and turning Google into a formidable working team. This should be considered the essence of management - a CEO who proves to the employees that he is their true and fair friend.

- 8) A corporation's product must have a social and moral basis for its existence, otherwise society will perceive it is a dangerous product and eventually will do away with it. All companies should make sure their products meet the moral law of God, and should be sold for the known benefit of mankind.

In many ways, Phillip Morris is the opposite of what this Hexagram represents. Like all products, the "happiness" Phillip Morris provides their clients with their tobacco products must have some very strong moral basis and not just legalistic basis. Is it possible for a corporation to avoid the moral basis for its product and rely only on the strict interpretation of the law? Can Phillip Morris get away from its social responsibilities by just hiring a very powerful group of lawyers to fight its legal battles all the way to the Supreme Court? The I Ching would strongly advise its CEO against it.

If in the early stages of the cigarettes product-life cycle no one knew it to be harmful to mankind's health then, even though the corporation could be held legally accountable for their product, perhaps no one really was to blame. However, if at a later stage of the product cycle, every scientist in its payroll knew it to be harmful, then it was the CEO's moral responsibility to stop it even before the law would force him to. What did they do? they created farms to develop an extremely addictive tobacco. What sense of pride can any employee feel knowing that his labor will contribute to someone's death? Phillip Morris can use any legal tactics, but eventually if it fails to conquer the good will of its customers, employees and society, if it fails to prove to be their true friend, it will have failed miserably.

How could Phillip Morris deal with this situation? The I Ching advises the CEO he must:

First, admit it is indeed a harmful addictive product. Launch a public campaign to prevent people from taking up the habit. Change the thinking mode to a real unwillingness to produce it as well as to sell it. Tell their clients that only their addiction will force the corporation to produce it and sell it.

Second, repair the damage done by both setting up a fund for those who already have suffered the consequences of smoking tobacco products, and by helping smokers in their struggle to find a way out of their habits - such as running seminars to help people quit their addiction. This should be done in partnership with the government for all the taxes they collected from the tobacco products. And,

Third, join with its friends, meaning Phillip Morris should join with its competitors, lobbies and Congress, to extend a hand to its customers who have been made ill because of their addiction. This is a time to heal, to reconcile, to both be seen as well as to be perceived as a corporation that is doing its best to be socially and morally responsible. People will never perceive Phillip Morris as socially responsible if it settles with State governments by giving back part of its profits earned by raising the price of cigarettes.

## **INVESTMENT ADVICE:**

For the investor, the Joyous represents in general terms an unfavorable Time-Space to invest.

By itself (no lines) the Joyous Time-Space points to success provided the CEO controls it.

*THE JOYOUS.*

*Success.*

*Perseverance is favorable.*

*The joyous mood is infectious and therefore brings success. But joy must be based on steadfastness if it is not to degenerate into uncontrolled mirth. Truth and strength must dwell in the heart, while gentleness reveals itself in social intercourse. In this way one assumes the right attitude toward God and man and achieves something. Under certain conditions, intimidation without gentleness may achieve something momentarily, but not for all time. When, on the other hand, the hearts of men are won by friendliness, they are led to take all hardships upon themselves willingly, and if need be will not shun death itself, so great is the power of joy over men.*

The lines include only two possibilities of Good Fortune (in the first and second places), one real negative (in the third place) and three semi - negatives.

The following are cases of corporations under the Joyous Time-Space.

- **Marvell Technology Group Ltd. MRVL under CEO Sehat Sutardja**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the Joyous corporation – succeeding.

**Managerial Lesson:** Be content.

**Managerial Warning:** At the first stage of the Joyous Time-Space, the CEO has the proper attitude to succeed.

**Managerial Advice:** The Superior CEO knows that to be successful he must:

- Be happy with himself, with his corporation, with his performance, with his products, and with his mission.
- Not envy another corporation's products.
- Not fix what is not broken. Keep on producing more happiness for his clients and more happiness for his employees. The danger lies in penny-pinching or in trying to become a star at the expense of the customers and the employees. The Superior CEO would not dare to cut corners with his customers or with his employees.

**Investment advice:** Invest.

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the joyous corporation – dealing with an unhappy corporation with inferior products and employees.

**Managerial Lesson:** Be firm.

**Managerial Warning:** At the second stage of the Joyous Time-Space, the CEO is tempted to associate with the wrong employees, products or partnerships.

**Managerial Advice:** The Superior CEO knows that to create the Joyous Corporation he must associate himself as well as the corporation with the best. He will accept nothing inferior such as inferior employees, products or partnerships. Whatever he finds to be inferior, he cuts off at once, lest in the end they corrupt him as well as the rest of the other employees. An inferior product will take away precious resources from the superior products, including the most precious of them all: managerial time,. An inferior employee, who undeservingly receives the same pay as those who do deserve it, will demoralize the entire corporation. The Superior CEO knows that by creating such strict standards, no one will dare approach him with poor recommendations.

**Investment advice:** Invest.

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the joyous corporation - dealing with an unhappy corporation, one with low product research and development and with poor employee creativity.

**Managerial Lesson:** Be inner stable.

**Managerial Warning:** At the third stage of the Joyous Time-Space, the CEO lacks “*inner stability and therefore needs amusement indulging himself in diversion. He attracts external pleasures by the emptiness of his nature*”.

**Managerial Advice:** The Superior CEO knows that a corporation which lacks R&D and whose employees have no creativity, will end up copying from truly creative corporations. When you have nothing to offer from within, then you are bound to offer from without (someone else’s ideas). This is the beginning of the end.

**Investment advice:** Do not invest.

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the joyous corporation – dealing with an unhappy corporation - choosing between poor products and poor employees.

**Managerial Lesson:** Be decisive.

**Managerial Warning:** At the fourth stage of the Joyous Time-Space, the CEO is tempted to make the wrong choice.

**Managerial Advice:** The Superior CEO knows that he may choose between the Yang and the Yin – that is, between good and bad quality of products or between good or bad employees, but never between the degrees of Yin, that is between poor products or between poor employees, because the degrees of Yin have no place in the corporation. Proper focus brings happiness to the CEO. Making the right choice always brings happiness.

**Investment advice:** Do not invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the joyous corporation – dealing with an unhappy corporation - flirting with incompetence.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the fifth stage of the Joyous Time-Space, the CEO risks listening to the “*dangerous elements that approach*” him.

**Managerial Advice:** The Superior CEO knows:

- He must fight against the temptation to develop a poor product out of a personal whim or to indulge in nepotism.
- Such actions will always, (with no exceptions), do harm to both the CEO and his corporation.
- There is still time to correct this situation if he realizes and corrects his position.

**Investment advice:** Do not invest.

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to lead men with enthusiasm to create the joyous corporation – vanity and lack of humility create the wrong kind of happiness.

**Managerial Lesson:** Be hopeful.

**Managerial Warning:** At the sixth stage of the Joyous Time-Space, the CEO risks giving up in despair: “*He has given up direction of his own life, and what becomes of him depends upon chance and external influences*”.

**Managerial Advice:** The Superior CEO is always hopeful and of good cheer - that is one of his key traits. He would never give up in despair. He knows where despair comes from – lack of character that creates enthusiasm for the wrong things. The Superior CEO knows:

- Lack of character will always end up in pride and in the wrong kind of happiness for the corporation.
- Enthusiasm for the wrong kind of things will eventually affect both the CEO’s as well as the corporation’s spirits and it will be reflected in the creation of poor products and poorly motivated employees. He is no longer in charge

**Investment advice:** Do not invest.



## MANAGERIAL CASES

### **Marvell Technology Group Ltd. MRVL under CEO Sehat Sutardja**

Sehat Sutardja's Performance:	ROI= 7.44%	Annualized Return= 0.64%
SPY's Performance:	ROI= (17.61%)	Annualized Return= (1.70%)

Sehat Sutardja is one of the original founders of Marvell Technology. He became its CEO in 1995.

Since June of 2000, he has been able to outperform the SPY but his performance has been basically flat.

Because he has been CEO for almost two decades, we asked the Oracle once more about his future. His new hexagram is The Joyous.

Since the beginning of 2011, his performance has been below the SPY's, thus he needs to change his strategy.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 58 – Tui - The Joyous, Lake*

*This hexagram, like Sun, is one of the eight formed by doubling of a trigram. The trigram Tui denotes the youngest daughter; it is symbolized by the smiling lake, and its attribute is joyousness. Contrary to appearances, it is not the yielding quality of the top line that accounts for joy here. The attribute of the yielding or dark principle is not joy but melancholy. However, JOY is indicated by the fact that there are two strong lines within, expressing themselves through the medium of gentleness.*

*True joy, therefore, rests on firmness and strength within, manifesting itself outwardly as yielding and gentle.*

*THE JUDGMENT*

*THE JOYOUS.*

*Success.*

*Perseverance is favorable.*

*The joyous mood is infectious and therefore brings success. But joy must be based on steadfastness if it is not to degenerate into uncontrolled mirth. Truth and strength must dwell in*

*the heart, while gentleness reveals itself in social intercourse. In this way one assumes the right attitude toward God and man and achieves something. Under certain conditions, intimidation without gentleness may achieve something momentarily, but not for all time. When, on the other hand, the hearts of men are won by friendliness, they are led to take all hardships upon themselves willingly, and if need be will not shun death itself, so great is the power of joy over men.*

## **2) THE ADVICE**

*Lakes resting one on the other: The image of THE JOYOUS.  
Thus the superior man joins with his friends  
For discussion and practice.*

*A lake evaporates upward and thus gradually dries up; but when two lakes are joined they do not dry up so readily, for one replenishes the other. It is the same in the field of knowledge. Knowledge should be a refreshing and vitalizing force. It becomes so only through stimulating intercourse with congenial friends with whom one holds discussion and practices application of the truths of life. In this way learning becomes many-sided and takes on a cheerful lightness, whereas there is always something ponderous and one-sided about the learning of the self-taught.*

## **3) THE LINES:**

*Nine at the beginning means:  
Contented joyousness.  
Good fortune.*

*A quiet, wordless, self-contained joy, desiring nothing from without and resting content with everything, remains free of all egotistic likes and dislikes. In this freedom lies good fortune, because it harbors the quiet security of a heart fortified within itself.*

*Nine in the fourth place means:  
Joyousness that is weighed is not at peace.  
After ridding himself of mistakes a man has joy.*

*Often a man finds himself weighing the choice between various kinds of pleasures, and so long as he has not decided which kind he will choose, the higher or the lower, he has no inner peace. Only when he clearly recognizes that passion brings suffering, can he make up his mind to turn away from the lower pleasures and to strive for the higher. Once this decision is sealed, he finds true joy and peace, and inner conflict is overcome.*

#### 4) THE MOVING HEXAGRAM

##### HEXAGRAM 29 - K'an - The Abysmal (Water)

*This hexagram consists of a doubling of the trigram K'an. It is one of the eight hexagrams in which doubling occurs. The trigram K'an means a plunging in. A yang line has plunged in between two yin lines and is closed in by them like water in a ravine. The trigram K'an is also the middle son. The Receptive has obtained the middle line of the Creative, and thus K'an develops. As an image it represents water, the water that comes from above and is in motion on earth in streams and rivers, giving rise to all life on earth.*

*In man's world K'an represents the heart, the soul locked up within the body, the principle of light inclosed in the dark - that is, reason. The name of the hexagram, because the trigram is doubled, has the additional meaning, "repetition of danger." Thus the hexagram is intended to designate an objective situation to which one must become accustomed, not a subjective attitude. For danger due to a subjective attitude means either foolhardiness or guile. Hence too a ravine is used to symbolize danger; it is a situation in which a man is in the same pass as the water in a ravine, and, like the water, he can escape if he behaves correctly.*

##### THE JUDGMENT

*The Abysmal repeated.  
If you are sincere, you have success in your heart,  
And whatever you do succeeds.*

*Through repetition of danger we grow accustomed to it. Water sets the example for the right conduct under such circumstances. It flows on and on, and merely fills up all the places through which it flows; it does not shrink from any dangerous spot nor from any plunge, and nothing can make it lose its own essential nature. It remains true to itself under all conditions. Thus likewise, if one is sincere when confronted with difficulties, the heart can penetrate the meaning of the situation. And once we have gained inner mastery of a problem, it will come about naturally that the action we take will succeed. In danger all that counts is really carrying out all that has to be done – thoroughness - and going forward, in order not to perish through tarrying in the danger.*

*Properly used, danger can have an important meaning as a protective measure. Thus heaven has its perilous height protecting it against every attempt at invasion, and earth has its mountains and bodies of water, separating countries by their dangers. Thus also rulers make use of danger to protect themselves against attacks from without and against turmoil within.*

##### THE IMAGE

*Water flows on uninterruptedly and reaches its goal: The image of the Abysmal repeated.  
Thus the superior man walks in lasting virtue  
And carries on the business of teaching.*

*Water reaches its goal by flowing continually. It fills up every depression before it flows on. The superior man follows its example; he is concerned that goodness should be an established attribute of character rather than an accidental and isolated occurrence. So likewise in teaching others everything depends on consistency, for it is only through repetition that the pupil makes the material his own.*

## **59 DISPERSION (DISSOLUTION)**

### **MANAGERIAL ISSUE:**

The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities.

Hexagram 59 describes the CEO's need to:

- First, dissolve (Dispersion) the corporate blockage or rigidity which was created by divisive egotism and which is dividing the employees.
- Second, overcome disunity to make this potentially profitable corporation work as a single team.

Egotism, rigidity, and disunity are the reasons why the corporation is going through a period of stagnation.

The Superior CEO applies a gentle or friendly attitude to bring all the employees together. A friendly attitude will serve the CEO well in dealing with so many individual personalities and prima donnas to forge them into a single harmonious team.

The I Ching says: *“when a man's vital energy is dammed up within him, gentleness serves to break up and dissolve the blockage”*.

The I Ching compares two Hexagrams related to the issue of Dispersion and Gathering Together:

- In Hexagram 45 (Gathering Together) *“the subject is the bringing together of elements that have been separated, as water collects in lakes upon the earth”*.
- In Hexagram 59 (Dispersion) *“the subject is the dispersing and dissolving of divisive egotism. DISPERSION shows the way, so to speak, that leads to gathering together”*.

### **MANAGERIAL LESSON:**

The Superior CEO must:

- 1) Balance two needs: the need each team player has to be and to feel as an individual, with the need for the overall team to have each individual sacrifice for the common goal. By eliminating the Prima Donna mentality of each individual player he gives life to the team and turns this corporation into a profitable one.
- 2) Establish a common goal as the binding force for the team. This goal must be high and noble, or at least perceived by the employees to be noble. This is similar to a crusade where individuals with large egos such as Kings, Princes, Knights, Dukes and Counts, willingly gave up their individual quests for the sake of greater one. When religious fervor grabs a hold of men, their individual goals means little.

In the same way, the CEO must raise their spirits in a crescendo. Corporations like Google, Sun Microsystems, IBM, Oracle and American On Line developed an almost religious crusade to destroy Microsoft. Their Holy Grail was Java. Their mission was to do away with Windows as the globally accepted operating system. In these corporations there were real geniuses; yet, they all put their egos aside to work for a single purpose, to slay their enemy before their enemy slays them. They all gathered together in large meetings via teleconferencing, much like their archenemy Microsoft does, to discuss with their employees on a global basis their strategies and plans, always keeping in mind their common goal. These meetings became like a Mass where the CEOs took over the role of the priests to impart the blessings on the modern warriors, who go off to their crusade. Their communion was spiritual, where they all ate and drank of the same purpose. It is at these meetings where the CEO accomplishes his task by creating a sense of belonging, of being part of the larger corporate team or industry. Such sense of purpose forges the corporation into a single fighting spirit.

- 3) The CEO can accomplish this task only if he is up to it both morally and professionally. He must be the real believer to impart the belief, and the most enthusiastic to impart enthusiasm. He must be the first to sacrifice his own ego for the sake of the team. If his followers sense his hypocrisy they will not follow him.

## **INVESTMENT ADVICE:**

For the investor, the Dispersion represents in general terms a favorable Time-Space to invest,

By itself (no lines) the Time-Space points to success provided the CEO applies religious (spiritual) forces to disperse the selfishness in the corporation.

*Dispersion,*

*Success.*

*The king approaches his temple.*

*It furthers one to cross the great water.*

*Perseverance furthers.*

*The text of this hexagram resembles that of Ts'ui, GATHERING TOGETHER (45). In the latter, the subject is the bringing together of elements that have been separated, as water collects in lakes upon the earth. Here the subject is the dispersing and dissolving of divisive egotism. DISPERSION shows the way, so to speak, that leads to gathering together. This explains the similarity of the two texts.*

*Religious forces are needed to overcome the egotism that divides men. The common celebration of the great sacrificial feasts and sacred rites, which gave expression simultaneously to the interrelation and social articulation of family and state, was the means employed by the great rulers to unite men. The sacred music and the splendor of the ceremonies aroused a strong tide of emotion that was shared by all hearts in unison, and that awakened a consciousness of the common origin of all creatures. In this way disunity was overcome and rigidity dissolved. A further means to the same end is cooperation in great general undertakings that set a high goal for the will of the people; in the common concentration on this goal, all*

*barriers dissolve, just as, when a boat is crossing a great stream, all hands must unite in a joint task.*

*But only a man who is himself free of all selfish ulterior considerations, and who perseveres in justice and steadfastness, is capable of so dissolving the hardness of egotism.*

The lines include two possibilities of Good Fortune in the first and fourth (Supreme Good Fortune) places, one negative (in the fifth place) and three semi - positives.

The following are cases of corporations under the Dispersion Time-Space.

- **Wynn Resorts Ltd. WYNN under CEO Stephen A. Wynn**
- **Mylan Inc. MYL under CEO Robert J. Coury**
- **SanDisk Corp. SNDK under CEO Sanjay Mehrotra**
- **Fiserv, Inc. FISV under CEO Jeffery Yabuki**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities - stopping disunion at its very beginning.

**Managerial Lesson:** Be firm.

**Managerial Warning:** At the first stage of the Dispersion Time-Space, the CEO faces the need to Disperse those forces that are creating disunion amongst the employees.

**Managerial Advice:** The Superior CEO “*takes quick and vigorous action to dissolve the misunderstandings and mutual distrust*”. He acts at once firmly yet gently in eliminating, for instance, any fierce individuality before it gets out of hand and destroys the team. Prevention is the best medicine.

**Investment advice:** Invest.

## **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities - recognizing he is the cause of the disunity.

**Managerial Lesson:** Be altruistic.

**Managerial Warning:** At the second stage of the Dispersion Time-Space, the CEO recognizes his selfishness is the cause for the disunity within the corporation and the effect will be its future destruction.

**Managerial Advice:** The Superior CEO conquers himself before he conquers others. He recognizes his own ego related weakness and acts quickly to eliminate it from within his own self and thus repair the damage. He uses as his weapons, humility, justice and affection to allow him to go back to what made him part of the team and to eliminate whatever has separated him from it.

**Investment advice:** Do not invest.

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities – giving up personal desires.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the third stage of the Dispersion Time-Space, the CEO is so caught up in the everyday little tasks that he forgets the main corporate mission. The forces he must disperse are created by his own lack of mental discipline.

**Managerial Advice:** The Superior CEO makes a supreme effort and thinks of a lofty goal to put him back on track. Focusing on the main task will eliminate any selfish thoughts.

**Investment advice:** Do not invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities – using Dispersion to dissolve his bond with his group.

**Managerial Lesson:** Be determined.

**Managerial Warning:** At the fourth stage of the Dispersion Time-Space, the CEO realizes there will be times when he will have to destroy the ego of those closest to him.

**Managerial Advice:** The Superior CEO knows that:

- Sometimes it is necessary to sacrifice the ones you hold dear for the sake of the greater aim.
- Nepotism is the sure way to corporate disaster.
- As long as he focuses on the final goal, he will know what to do without regrets.

**Investment advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities. – using dispersion by establishing lofty goals.

**Managerial Lesson:** Be a leader.

**Managerial Warning:** At the fifth stage of the Dispersion Time-Space, the CEO encounters the corporation is going through times of general deadlock.

**Managerial Advice:** The Superior CEO knows that:

- When the corporation reaches a stagnation point, he must establish a common goal to pull all the employees' efforts into a single focused direction.
- Sometimes it is necessary to sacrifice the individuality for the sake of the common goal.
- The higher, the nobler, the loftier the goal, the stronger the employees response will be turning the goal into the binding force.

**Investment advice:** Do not invest.

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing corporate Dispersion – dissolving negative influences to unite the employees i.e. creating a winning team by eliminating individualities. – Dispersing what creates danger for the corporation.

**Managerial Lesson:** Be disciplined.

**Managerial Warning:** At the sixth stage of the Dispersion Time-Space, the CEO must disperse "*that which might lead to bloodshed and wounds*". He might encounter corporate weakness created by excessive individuality or a possible takeover by a larger corporation.

**Managerial Advice:** The Superior CEO knows that to save the whole team, he must tame their egos, and blend them into a single fighting force to avoid the destruction of the corporation. Otherwise they would become easy prey for their adversaries.

**Investment Advice:** Do not invest.



## MANAGERIAL CASES

### **Wynn Resorts Ltd. WYNN under CEO Stephen A. Wynn**

Stephen Wynn's Performance:	ROI= 849.72%	Annualized Return= 27.13%
SPY's Performance:	ROI= 47.11%	Annualized Return= 4.20%

Stephen A. Wynn is the founder of Wynn Resorts and became CEO in June of 2002.

Since then he has been able to outperform the SPY substantially proving he is a superior CEO.

However, because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Dispersion.

Since the beginning of 2011, his performance has been quite above the SPY's which proves he is enjoying the good fortune of the first line.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 59 – Huan - Dispersion (Dissolution)*

*Wind blowing over water disperses it, dissolving it into foam and mist. This suggests that when a man's vital energy is dammed up within him (indicated as a danger by the attribute of the lower trigram), gentleness serves to break up and dissolve the blockage.*

#### *THE JUDGMENT*

*Dispersion,  
Success.  
The king approaches his temple.  
It furthers one to cross the great water.  
Perseverance furthers.*

*The text of this hexagram resembles that of Ts'ui, GATHERING TOGETHER (45). In the latter, the subject is the bringing together of elements that have been separated, as water collects in lakes upon the earth. Here the subject is the dispersing and dissolving of divisive egotism. DISPERSION shows the way, so to speak, that leads to gathering together. This explains the similarity of the two texts.*

*Religious forces are needed to overcome the egotism that divides men. The common celebration of the great sacrificial feasts and sacred rites, which gave expression simultaneously to the interrelation and social articulation of family and state, was the means employed by the*

great rulers to unite men. The sacred music and the splendor of the ceremonies aroused a strong tide of emotion that was shared by all hearts in unison, and that awakened a consciousness of the common origin of all creatures. In this way disunity was overcome and rigidity dissolved. A further means to the same end is cooperation in great general undertakings that set a high goal for the will of the people; in the common concentration on this goal, all barriers dissolve, just as, when a boat is crossing a great stream, all hands must unite in a joint task.

*But only a man who is himself free of all selfish ulterior considerations, and who perseveres in justice and steadfastness, is capable of so dissolving the hardness of egotism.*

## **2) THE ADVICE**

*The wind drives over the water: The image of DISPERSION.  
Thus the kings of old sacrificed to the Lord  
And built temples.*

*In the autumn and winter, water begins to freeze into ice. When the warm breezes of spring come, the rigidity is dissolved, and the elements that have been dispersed in ice floes are reunited. It is the same with the minds of the people. Through hardness and selfishness the heart grows rigid, and this rigidity leads to separation from all others. Egotism and cupidity isolate men. Therefore the hearts of men must be seized by a devout emotion. They must be shaken by a religious awe in face of eternity - stirred with an intuition of the One Creator of all living beings, and united through the strong feeling of fellowship experienced in the ritual of divine worship.*

## **3) THE LINES:**

*Six at the beginning means:*  
*He brings help with the strength of a horse.  
Good fortune.*

*It is important that disunion should be overcome at the outset, before it has become complete - that the clouds should be dispersed before they have brought storm and rain. At such times when hidden divergence's in temper make themselves felt and lead to mutual misunderstandings, we must take quick and vigorous action to dissolve the misunderstandings and mutual distrust.*

*Nine in the second place means:*  
*At the dissolution  
He hurries to that which supports him.  
Remorse disappears.*

*When an individual discovers within himself the beginnings of alienation from others, of misanthropy and ill humor, he must set about dissolving these obstructions. He must rouse himself inwardly, hasten to that which supports him. Such support is never found in hatred, but always in a moderate and just judgment of men, linked with good will. If he regains this*

*unobstructed outlook on humanity, while at the same time all saturnine ill humor is dissolved, all occasion for remorse disappears.*

*Six in the third place means:*

*He dissolves his self.*

*No remorse.*

*Under certain circumstances, a man's work may become so difficult that he can no longer think of himself. He must set aside all personal desires and disperse whatever the self gathers about it to serve as a barrier against others. Only on the basis of a great renunciation can he obtain the strength for great achievements. By setting his goal in a great task outside himself, he can attain this standpoint.*

*Six in the fourth place means:*

*He dissolves his bond with his group. (1)*

*Supreme good fortune.*

*Dispersion leads in turn to accumulation.*

*This is something that ordinary men do not think of.*

*When we are working at a task that affects the general welfare, we must leave all private friendships out of account. Only by rising above party interests can we achieve something decisive. He who has the courage thus to forego what is near wins what is afar. But in order to comprehend this standpoint, one must have a wide view of the interrelationships of life, such as only unusual men attain.*

(1) . [Literally, in the German, "He dissolves himself from his group".]

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAMA 13 - T'ung Jen - Fellowship with Men*

*The image of the upper trigram Ch'ien is heaven, and that of the lower, Li, is flame. It is the nature of fire to flame up to heaven. This gives the idea of fellowship. It is the second line that, by virtue of its central character, unites the five strong lines around it. This hexagram forms a complement to Shih, THE ARMY (7). In the latter, danger is within and obedience without - the character of a warlike army, which, in order to hold together, needs one strong man among the many who are weak. Here, clarity is within and strength without - the character of a peaceful union of men, which, in order to hold together, needs one yielding nature among many firm persons.*

*THE JUDGMENT*

*FELLOWSHIP WITH MEN in the open.*

*Success.*

*It furthers one to cross the great water.*

*The perseverance of the superior man furthers.*

*True fellowship among men must be based upon a concern that is universal. It is not the private interests of the individual that create lasting fellowship among men, but rather the goals of humanity. That is why it is said. that fellowship with men in the open succeeds. If unity of this kind prevails, even difficult and dangerous tasks, such as crossing the great water, can be accomplished. But in order to bring about this sort of fellowship, a persevering and enlightened leader is needed - a man with clear, convincing, and inspiring aims and the strength to carry them out. (The inner trigram means clarity; the outer, strength.)*

## **THE IMAGE**

*Heaven together with fire: The image of FELLOWSHIP WITH MEN.  
Thus the superior man organizes the clans  
And makes distinctions between things.*

*Heaven has the same direction of movement as fire, yet it is different from fire. Just as the luminaries in the sky serve for the systematic division and arrangement of time, so human society and all things that really belong together must be organically arranged. Fellowship should not be a mere mingling, of individuals or of things - that would be chaos, not fellowship. If fellowship is to lead to order, there must be organization within diversity.*

## **Mylan, Inc. MYL under CEO Robert J. Coury**

Robert Coury's Performance:	ROI= 20.70%	Annualized Return= 2.08%
SPY's Performance:	ROI= 36.19%	Annualized Return= 3.44%

Robert J. Coury became CEO of Mylan in September of 2002.

Since then, his performance has been positive but below the SPY's.

However, because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is The Dispersion.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six at the beginning means:

*He brings help with the strength of a horse.*

*Good fortune.*

*It is important that disunion should be overcome at the outset, before it has become complete - that the clouds should be dispersed before they have brought storm and rain. At such times when hidden divergence's in temper make themselves felt and lead to mutual misunderstandings, we must take quick and vigorous action to dissolve the misunderstandings and mutual distrust.*

Six in the third place means:

*He dissolves his self.*

*No remorse.*

*Under certain circumstances, a man's work may become so difficult that he can no longer think of himself. He must set aside all personal desires and disperse whatever the self gathers about it to serve as a barrier against others. Only on the basis of a great renunciation can he obtain the strength for great achievements. By setting his goal in a great task outside himself, he can attain this standpoint.*

Nine in the fifth place means:

*His loud cries are as dissolving as sweat.*

*Dissolution!*

*A king abides without blame.*

*In times of general dispersion and separation, a great idea provides a focal point for the organization of recovery. Just as an illness reaches its crisis in a dissolving sweat, so a great and stimulating idea is a true salvation in times of general deadlock. It gives the people a rallying point - a man in a ruling position who can dispel misunderstandings.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 26 - Ta Ch'u - The Taming Power of the Great*

*The Creative is tamed by Ken, Keeping Still. This produces great power, a situation in contrast to that of the ninth hexagram, Hsiao Ch'u, THE TAMING POWER OF THE SMALL, in which the Creative is tamed by the Gentle alone. There one weak line must tame five strong lines, but here four strong lines are restrained by two weak lines; in addition to a minister, there is a prince, and the restraining power therefore is far stronger.*

*The hexagram has a threefold meaning, expressing different aspects of the concept Holding firm. Heaven within the mountain gives the idea of holding firm in the sense of holding together; the trigram Ken, which holds the trigram Ch'ien still, gives the idea of holding firm in the sense of holding back; the third idea is that of holding firm in the sense of caring for and nourishing. This last is suggested by the fact that a strong line at the top, which is the ruler of*

*the hexagram, is honored and tended as a sage. The third of these meanings also attaches specifically to this strong line at the top, which represents the sage.*

### THE JUDGMENT

#### THE TAMING POWER OF THE GREAT.

*Perseverance furthers.*

*Not eating at home brings good fortune.*

*It furthers one to cross the great water.*

*To hold firmly to great creative powers and store them up, as set forth in this hexagram, there is need of a strong, clearheaded man who is honored by the ruler. The trigram Ch'ien points to strong creative power; Ken indicates firmness and truth. Both point to light and clarity and to the daily renewal of character. Only through such daily self-renewal can a man continue at the height of his powers. Force of habit helps to keep order in quiet times; but in periods when there is a great storing up of energy, everything depends on the power of the personality. However, since the worthy are honored, as in the case of the strong personality entrusted with leadership by the ruler, it is an advantage not to eat at home but rather to earn one's bread by entering upon public office. Such a man is in harmony with heaven; therefore even great and difficult undertakings, such as crossing the great water, succeed.*

### THE IMAGE

*Heaven within the mountain:*

*The image of THE TAMING POWER OF THE GREAT.*

*Thus the superior man acquaints himself with many sayings of antiquity*

*And many deeds of the past, In order to strengthen his character thereby.*

*Heaven within the mountain points to hidden treasures. In the words and deeds of the past there lies hidden a treasure that men may use to strengthen and elevate their own characters. The way to study the past is not to confine oneself to mere knowledge of history but, through application of this knowledge, to give actuality to the past.*

## **SanDisk Corp. SNDK under CEO Sanjay Mehrotra**

Sanjay Mehrotra's Performance:	ROI= (8.68%)	Annualized Return= (10.98%)
SPY's Performance:	ROI= (3.53%)	Annualized Return= ( 4.49%)

Sanjay Mehrotra is one of the original founders of SanDisk Corporation. He became CEO in January of 2011.

It is too early to measure his performance, however, since then, he has not been able to outperform the SPY even though his performance has been improving since the last quarter of 2011.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Six in the third place means:*

*He dissolves his self.*

*No remorse.*

*Under certain circumstances, a man's work may become so difficult that he can no longer think of himself. He must set aside all personal desires and disperse whatever the self gathers about it to serve as a barrier against others. Only on the basis of a great renunciation can he obtain the strength for great achievements. By setting his goal in a great task outside himself, he can attain this standpoint.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 57 – Sun - The Gentle (The Penetrating, Wind)*

*Sun is one of the eight doubled trigrams. It is the eldest daughter and symbolizes wind or wood; it has for its attribute gentleness, which nonetheless penetrates like the wind or like growing wood with its roots.*

*The dark principle, in itself rigid and immovable, is dissolved by the penetrating light principle, to which it subordinates itself in gentleness. In nature, it is the wind that disperses the gathered clouds, leaving the sky clear and serene. In human life it is penetrating clarity of judgment that thwarts all dark hidden motives. In the life of the community it is the powerful influence of a great personality that uncovers and breaks up those intrigues which shun the light of day.*

*THE JUDGMENT*

*THE GENTLE.*

*Success through what is small.*

*It furthers one to have somewhere to go.*

*It furthers one to see the great man.*

*Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than*

*those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.*

## **THE IMAGE**

*Winds following one upon the other: The image of THE GENTLY PENETRATING.  
Thus the superior man  
Spreads his commands abroad  
And carries out his undertakings.*

*The penetrating quality of the wind depends upon its ceaselessness. This is what makes it so powerful; time is its instrument. In the same way the ruler's thought should penetrate the soul of the people. This too requires a lasting influence brought about by enlightenment and command. Only when the command has been assimilated by the people is action in accordance with it possible. Action without preparation of the ground only frightens and repels.*

## **Fiserv, Inc. FISV under CEO Jeffery Yabuki**

Jeffery Yabuki's Performance:	ROI= 43.27%	Annualized Return= 5.44%
SPY's Performance:	ROI= 3.49%	Annualized Return= 0.51%

Jeffery Yabuki became CEO of Fiserv in January of 2005.

Since then he has been able to outperform the SPY.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).



### **3) THE LINES:**

Six at the beginning means:

*He brings help with the strength of a horse.*

*Good fortune.*

*It is important that disunion should be overcome at the outset, before it has become complete - that the clouds should be dispersed before they have brought storm and rain. At such times when hidden divergence's in temper make themselves felt and lead to mutual misunderstandings, we must take quick and vigorous action to dissolve the misunderstandings and mutual distrust.*

Six in the fourth place means:

*He dissolves his bond with his group. (1)*

*Supreme good fortune.*

*Dispersion leads in turn to accumulation.*

*This is something that ordinary men do not think of.*

*When we are working at a task that affects the general welfare, we must leave all private friendships out of account. Only by rising above party interests can we achieve something decisive. He who has the courage thus to forego what is near wins what is afar. But in order to comprehend this standpoint, one must have a wide view of the interrelationships of life, such as only unusual men attain.*

Nine in the fifth place means:

*His loud cries are as dissolving as sweat.*

*Dissolution!*

*A king abides without blame.*

*In times of general dispersion and separation, a great idea provides a focal point for the organization of recovery. Just as an illness reaches its crisis in a dissolving sweat, so a great and stimulating idea is a true salvation in times of general deadlock. It gives the people a rallying point - a man in a ruling position who can dispel misunderstandings.*

(1) . [Literally, in the German, "He dissolves himself from his group".]

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 38 - K'uei - Opposition*

*This hexagram is composed of the trigram Li above, i.e., flame, which burns upward, and Tui below, i.e., the lake, which seeps downward. These two movements are in direct contrast. Furthermore, Li is the second daughter and Tui the youngest daughter, and although they live in the same house they belong, to different men; hence their wills are not the same but are divergently directed.*

## THE JUDGMENT

### OPPOSITION.

*In small matters, good fortune.*

*When people live in opposition and estrangement they cannot carry out a great undertaking in common; their points of view diverge too widely. In such circumstances one should above all not proceed brusquely, for that would only increase the existing opposition; instead, one should limit oneself to producing gradual effects in small matters. Here success can still be expected, because the situation is such that the opposition does not preclude all agreement.*

*In general, opposition appears as an obstruction, but when it represents polarity within a comprehensive whole, it has also its useful and important functions. The oppositions of heaven and earth, spirit and nature, man and woman, when reconciled, bring about the creation and reproduction of life. In the world of visible things, the principle of opposites makes possible the differentiation by categories through which order is brought into the world.*

## THE IMAGE

*Above, fire, below, the lake: The image of OPPOSITION.*

*Thus amid all fellowship*

*The superior man retains his individuality.*

*The two elements, fire and water, never mingle but even when in contact retain their own natures. So the cultured man is never led into baseness or vulgarity through intercourse or community of interests with persons of another sort; regardless of all commingling, he will always preserve his individuality.*

## **60 LIMITATIONS**

### **MANAGERIAL ISSUE:**

The CEO – managing to establish and apply the corporation’s Limitations – in all things (material, mental, emotional, and spiritual) - be thrifty.

Hexagram 60 refers to the CEO’s need to:

- Establish Limitations or firm rules for the corporation to work properly.
- Apply these Limitations to turn a universe of resources into a single, focused and very specific business model.

### **MANAGERIAL LESSON:**

The Superior CEO knows he can be successful as long as he establishes:

- 1) Limitations to the number of resources. There is an entire universe of ideas, but to create a successful corporation requires limiting it to a single idea. The CEO must choose a single idea and turn it into a reality. There are billions of human beings, but the CEO must choose from these billions only a limited number of potential customers to market his products, only a limited number of products to offer to his customers, only a limited number of executives to help him run the corporation, and only a limited number of employees to assist in its production (or offering of its services). In general terms, there is an abundance of natural resources, but the CEO must choose a limited number for the corporation. He must turn the general into the specific.
- 2) Limitations to his managerial capacity. A CEO who pursues many ideas or buys many companies, in effect wastes the corporation’s as well as his own personal resources. He can easily lose his focus. There is an entire universe of corporations and the undisciplined CEO will buy all he can regardless of whether such union would create synergy. Why are there some CEOs who feel there are no limits to their managerial capacity? When a CEO takes on a job, he should do so with the understanding his first responsibility is to the shareholders, to add value to them, to make them wealthier. He must preserve corporate resources. The CEO, who wastes the corporations’ assets in the wrong investments, takes value away from the shareholders and fails to do his duty, that same duty, which he freely accepted.
- 3) Limitations to his influence. He must accept that sometimes he will find opposition to his plans from different parties. For instance, he might find opposition to his expansion plans from the Board of Directors, from the shareholders or from the government.
- 4) Limitations to his power. He must accept that not doing is as important as doing. This is the issue of Bill Gates and Microsoft trying to buy Intuit with the resistance of the DOJ, which put a stop to it. Bill Gates realized he could not beat the DOJ, so he pulled back and continued

to do what he does best, accumulating more wealth for his shareholders. Then when the time was the proper one, he pursued other takeover candidates.

- 5) Limitations to his strength. He must feel the strength of his opponent and pull back if the times require it. This would avoid wasting the same energy and resources required for a future take over.
- 6) Limitations to his knowledge. He must stay within his area of expertise continuing to do what he does well. This will allow him to create wealth which, in turn, he will need in the future. Such accumulation of wealth will provide him with the financial muscle to make his move on another corporation at a future time.
- 7) Limitations to communications. He must keep quiet about his moves. This is the case of Larry Ellison. If he wants to buy a corporation without any initial interference from the DOJ, he will do so quietly. The investor should watch what both the CEO as well as the corporation's executives say in public.
- 8) Limitations to expenses. He should remain focused on budgeting efforts.
- 9) Limitations to time. He must seize the moment even if it means pushing the limitations. He must act quickly upon any opportunity that might present itself where there are doubts over regulations or restrictions. This is the case of Sandy Weil of Travelers / Salomon Smith Barney and John Reed of Citicorp. They both seized the opportunity to merge before obtaining the eventual blessing of the DOJ. If the CEO fails to move, the corporation will lose market share and might even disappear completely if it cannot compete with those who moved first. Let this be a warning to those corporations failing to move or moving too late in creating synergy amongst various corporations. Oracle has been doing an excellent job as to proper timing.
- 10) Limitations to bending the law. He must accept all government limitations or restrictions where there are no doubts about the law. Only the acceptance of the law of the land will bring harmony out of chaos. However, when restrictions or regulations are perceived to be harmful for the business, an eventual correction must take place, such as the elimination of the Glass Siegel Act. Once the correction takes place, it is the duty of the CEO to move quickly for the benefit of the shareholders.
- 11) Limitations to the Limitations. The Superior CEO understands there are limits to the limits themselves.

The I Ching says:

- *If a man should seek to impose galling limitations upon his own nature, it would be injurious.*

*And*

- *if he should go too far in imposing limitations on others, they would rebel.*

*Therefore*

- *it is necessary to set limits even upon limitations*

## **INVESTMENT ADVICE:**

For the investor, the Limitations represents in general terms a favorable Time-Space to invest.

By itself (no lines) the Limitations Time-Space points to success provided the CEO implements both: limits and limits to the limits:

*LIMITATION.*

*Success.*

*Galling limitation must not be persevered in.*

*Limitations are troublesome, but they are effective. If we live economically in normal times, we are prepared for times of want. To be sparing saves us from humiliation. Limitations are also indispensable in the regulation of world conditions. In nature there are fixed limits for summer and winter, day and night, and these limits give the year its meaning. In the same way, economy, by setting fixed limits upon expenditures, acts to preserve property and prevent injury to the people.*

*But in limitation we must observe due measure. If a man should seek to impose galling limitations upon his own nature, it would be injurious. And if he should go too far in imposing limitations on others, they would rebel. Therefore it is necessary to set limits even upon limitations*

The lines include two good investment possibilities: Success in the fourth line and Good Fortune in the fifth line. The rest are negative or extremely negative.

The following are cases of corporations under the Limitations Time-Space:

- **Cerner Corp. CERN under CEO Neal L. Patterson**
- **Regeneron Pharmaceuticals, Inc. REGN under CEO Leonard S. Schleifer**
- **AT&T, Inc. T under CEO Randall L. Stephenson**
- **The St. Joe Company JOE under CEO Wm. Britton Greene**
- **Flextronics International Ltd. FLEX under CEO Michael McNamara**
- **Vodafone Group plc VOD under CEO Vittorio Colao**

(Read at the end of the Hexagram)

## THE LINES

### NINE IN THE FIRST PLACE

**Managerial Issue:** The CEO – managing to establish the corporation's Limitations – at a time of overwhelming limitations both external and internal.

**Managerial Lesson:** Be discreet.

**Managerial Warning:** At the first stage of the Limitations Time-Space, the CEO “*would like to undertake something and finds himself confronted by insurmountable limitations*”.

**Managerial Advice:** The Superior CEO knows that when dealing with overwhelming limitations he must follow two basic rules:

- First, he must know when to move and when to stand still. He must try and find the boundaries, how far can he go? How far can he push the envelope? And
- Second, he must know when to speak and when to be silent (applied to himself as well as to all employees). Words create limitations but also create challenges to break those limitations.

The Superior CEO:

- Understands that both rules (knowing when to move and knowing when to speak) apply to economic as well as moral issues. For instance, was the CEO of IBM putting a limit on himself as well as his corporation when he initially put down the newly born PC industry by sneering at Apple? Did the CEO of Hewlett Packard needlessly challenge herself when she bought Compaq? Was she thinking about the shareholders or was she thinking about herself? Did Bill Gates impose a limitation on Microsoft when he showed skepticism about the Internet? As for the CEOs of Texaco and Ford, did they place any limitation on women allowing sexual harassment and sexual discrimination to become corporate standard practice?
- Knows that the only way to avoid further damages caused by failing to set up limitations is for the CEO to realize the mistake, recognize it publicly as his own, and correct it immediately. The CEO of Texaco publicly accepted his mistake and moved quickly to defuse an explosive discriminatory issue. The CEO of IBM refused to recognize his mistake and paid for it. The CEO of Merrill (Komansky) recognized his mistake of feeling disdain for the internet and moved quickly to make amends by creating in barely a year the technical support and the culture to fight off Charles Schwab. The Superior CEOs knows that the worst thing a CEO can do is to avoid the blame. And yet that is almost the norm.

**Investment advice:** Do not invest

## **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing to establish the corporation’s Limitations – when to move decisively and when to stop.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the second stage of the Limitations Time-Space, the CEO either might fail to remove obstacles or might hesitate to act once he removes the obstacles.

**Managerial Advice:** The Superior CEO understands two conditions:

- 1) The CEO who starts with a great idea in accordance with his natural talent. He finds it easy to develop such idea because no one can resist an individual with talent. Everyone wants to help, to be touched by his talent. Everyone loves a winner until the winner loses his humility. Here the CEO loses touch with reality and fails to place limitations or a strict budgeting discipline on himself as well as others.
- 2) The CEO who begins to think that because he has a talent for something very specific, he can have talent for anything he sets out to do. And so he goes into a line of business where he knows nothing about. He begins to waste resources and the original business starts to suffer. The business world is full of such cases. Mossimo had great talent for beach wears and was very successful at it, until he decided to expand into business wear, watches, and perfumes. The same goes for Donna Karen. The world of design is not the place to look for humility. The corporate world is littered with the "I can do whatever I please" type of CEOs. The shareholders usually pay dearly for such delusions of grandeur on the part of the CEO.

**Investment advice:** Do not invest

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing to establish the corporation’s Limitations - setting up no budgeting discipline or limitation.

**Managerial Lesson:** Be disciplined.

**Managerial Warning:** At the third stage of the Limitations Time-Space, the CEO risks losing his sense of limitations by overindulging in pleasures and enjoyment and by blaming others for his own mistakes.

**Managerial Advice:** The Superior CEO knows that:

- Discipline in budgeting must start with the CEO himself as well as his inner circle before the CEO can pretend to impose it on others. If he can adhere to a strict discipline, then the CEO can have the moral right to impose it on others. This can only bring success to the corporation. But if he continues to waste resources while asking others to sacrifice, then he can only generate contempt from his employees. It is an all too common event to see CEOs traveling in luxurious jets or limousines while firing 10% or 20% of the personnel and asking everyone else to travel tourist class or take taxis to “save costs”.

- Conquering others must begin with conquering himself. Warren Buffet has always spoken against the abuse of CEOs. About their madness to go about buying companies only for the sake of increasing the assets they manage. Buffet holds that their primary responsibility is to add value to the shareholders.

**Investment advice:** Do not invest

### **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing to establish the corporation’s Limitations - discerning the good from the bad ones.

**Managerial Lesson:** Be fair.

**Managerial Warning:** At the fourth stage of the Limitations Time-Space, the CEO must implement natural limitations rather than limitations that require persistent effort.

**Managerial Advice:** The Superior CEO understands:

- A good limitation is one in which the corporation gets a positive advantage, such as a limitation based on skills; while the opposite will be true for a negative limitation.
- No employee can withstand too tight a limitation such as an extremely tight budget. Merit must be recognized, salaries must be increased, bonuses must be paid, executives must travel, clients must be taken out to lunch, and even decent toilet paper must be purchased for the office.
- He must establish firm rules both moral and financial for the corporation to work properly. Only when the rules are clear and applicable to everyone and he communicates them properly so that everyone knows them, will the corporation prosper.

**Investment advice:** Invest.

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing to establish the corporation’s Limitations – the right way.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the fifth stage of the Limitations Time-Space, the CEO risks imposing restrictions on others while evading them himself.

**Managerial Advice:** The Superior CEO knows that to be successful he must:

- *Apply the limitation first to himself.*
- *Demand little from those associated with him. And*
- *Manage to achieve something with modest means.*



The Superior CEO:

- Establishes realistic goals. Investors take a corporation seriously when it meets its projected EPS. Therefore, there is a real urgency for corporations to put order on its expenditures and expenses.
- Understands it is crucial to know one's limitations so as not to overreach – for instance, going on a buying spree only to get into a business about which he knows nothing. Success consists in knowing what one knows and not knowing what one does not know.

**Investment advice:** Invest

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing to establish the corporation's Limitations – striking a proper balance in limitations.

**Managerial Lesson:** Be balanced.

**Managerial Warning:** At the sixth stage of the Limitations Time-Space, the CEO risks imposing too severe Limitations. This is one of the key lessons for the CEOs as well as for the investors.

**Managerial Advice:** The Superior CEO:

- Establishes cost controls – there must be an urgent need to reduce variable costs and constantly review fixed costs. Budgeting puts the CEO to the test in terms of how fair he is with his employees. Payrolls tend to grow almost by inertia during times of prosperity and so do the limousines, gifts, travel, and entertainment. A CEO who keeps his costs within budget will not be forced to make drastic changes when the corporation goes through a drop in earnings. He will not have to go through the embarrassment of having to lay off thousands of employees during a recession. He will also not be obliged to put the employees through the agony of guessing who will stay and who will go, because this, in turn, only serves to demoralize the rest of the employees and reduce productivity.
- Knows budgeting is applicable to both financial issues (matter), as well as emotional (spiritual). Not only does Limitations apply to production and expenses but also to affection, admiration and trust. The Superior CEO “budgets” his emotions towards his employees to be able to judge them fairly and equally. That is quite a challenge.
- Applies balance when limiting the budget. He knows the Limitations can neither be too big nor too small.
- He knows that:
  - To prepare an extremely tight budget is as bad as to prepare an extravagant one.
  - To impose stringent goals on the executives is to constraint their range of action and their capacity to expand.
  - To allocate too few resources to managers is to force them to openly question the CEO's judgment as well as his authority.

**Investment advice:** Do not invest

## MANAGERIAL CASES

### **Cerner Corp. CERN under CEO Neal L. Patterson**

Neal Patterson's Performance: ROI= 2,173.36% Annualized Return= 18.16%  
SPY's Performance: ROI= 176.00% Annualized Return= 5.57%  
Neal L. Patterson has been in charge of Cerner during the last 31 years. He is one of the founders.

Since 1993, he has been able to outperform the SPY substantially proving he is a superior CEO.

Because he has been CEO for almost three decades, we asked the Oracle once more about his future. His new hexagram is Limitations – (see article below to know why he must have limitations on limitations).

Points the investor should consider:

The Hexagram – 60 Limitation is favorable provided there is a limit to the limitations:

**Success.**

**Galling limitation must not be persevered in.**

The Advice for him is:

- *the superior man*
  - *Creates number and measure, And*
  - *Examines the nature of virtue and correct conduct.*

The lines: There is one moving line: which is positive.

Six in the fourth place means:

**Contented limitation.**

**Success.**

The Moving Hexagram: 58 The Joyous which is positive.

**THE JOYOUS.**

**Success.**

**Perseverance is favorable.**

#### ***Laughing at Yourself Pays Off***

*by Steve Aduato, Ph.D.*

*Last year, this column highlighted a really dumb use of e-mail by Cerner Corporation CEO Neal Patterson. Patterson was growing increasingly angry with his employees for what he perceived to be a lack of effort. He thought he was saving time by sending a mass e-mail out to over 400 employees, which in part stated the following:*

*"We are getting less than 40 hours of work from a large number of our 'employees.' The parking lot is sparsely used at 8:00 a.m.; likewise at 5:00 p.m. As managers, you either do not know what your employees are doing; or you do not care... Hell will freeze over before this CEO implements another employee benefit in this culture. I am tabling the promotions until I am convinced that the ones being promoted are the solution, not the problem. If you are the problem, pack your bags. I think this parental type action SUCKS. However, what you are doing as managers, with this company makes me sick...Something is going to change. I am giving you two weeks to fix this. My measurement will be the parking lot. It should be substantially full at 7:30 a.m. and 6:30 p.m. The pizza man should show up at 7:30 p.m. to feed the starving teams working late... You have two weeks. Tick-tock."*

*Patterson's e-mail created immediate chaos both within the company and among investors. Some angry employees posted his e-mail on the Yahoo message board. Over two days Cerner stock dropped 25 percent. Patterson tried to retract his original e-mail saying it was taken out of context, but it was too late..*

*It was easy at the time to blast Neal Patterson. His e-mail was a disaster. Both he and Cerner paid the price. Yet we all know that countless corporate managers and executives make similar mistakes that have serious consequences. But the Cerner story doesn't end here. Instead of continuing to defend his initial reaction, Patterson decided to make a joke of it.*

*At a highly attended annual Cerner conference, Patterson was the scheduled keynote speaker. Before he addressed the audience, comedian Mark Russell told lots of jokes about Patterson's e-mail. The audience roared. Cerner employees made references to the company store selling cardboard cars to put in the parking lot in an effort to fool their CEO. Right before Patterson addressed the audience, a pizza man arrived and delivered five pizzas, poking fun at Patterson's pizza line in the original e-mail. None of this corporate hijinks could have happened without Patterson's O.K.*

*Here's the point...While all of us make mistakes, not everyone has the character and confidence to take responsibility to poke fun at themselves. Real leaders know how to get past such errors in judgment and let others know that they are aware they've made a mistake. Relax, have a good laugh at your own expense, and move on. Most people will appreciate your candor. It will create a more comfortable and productive work environment. The longer you refuse to admit the obvious, the longer the issue or controversy lingers.*

*In business as in life, it's not only what happens that matters, it's how you handle it. Neal Patterson chose to take responsibility and apologize for his actions. He allowed himself to show his vulnerability to his employees and the outside world. His company and his reputation are better off for it. What was the last big or small mistake you made at work? How did you handle it? Thinking back, how would you handle it if it happened today? Write to me.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 60 – Chieh - Limitation*

*A lake occupies a limited space. When more water comes into it, it overflows. Therefore limits must be set for the water. The image shows water below and water above, with the firmament between them as a limit.*

*The Chinese word for limitation really denotes the joints that divide a bamboo stalk. In relation to ordinary life it means the thrift that sets fixed limits upon expenditures. In relation to the moral sphere it means the fixed limits that the superior man sets upon his actions - the limits of loyalty and disinterestedness.*

## **THE JUDGMENT LIMITATION.**

*Success.*

*Galling limitation must not be persevered in.*

*Limitations are troublesome, but they are effective. If we live economically in normal times, we are prepared for times of want. To be sparing saves us from humiliation. Limitations are also indispensable in the regulation of world conditions. In nature there are fixed limits for summer and winter, day and night, and these limits give the year its meaning. In the same way, economy, by setting fixed limits upon expenditures, acts to preserve property and prevent injury to the people.*

*But in limitation we must observe due measure. If a man should seek to impose galling limitations upon his own nature, it would be injurious. And if he should go too far in imposing limitations on others, they would rebel. Therefore it is necessary to set limits even upon limitations*

## **2) THE ADVICE**

*Water over lake: the image of LIMITATION.*

*Thus the superior man*

*Creates number and measure,*

*And examines the nature of virtue and correct conduct.*

*A lake is something limited. Water is inexhaustible. A lake can contain only a definite amount of the infinite quantity of water; this is its peculiarity. In human life too the individual achieves significance through discrimination and the setting of limits. Therefore what concerns us here is the problem of clearly defining these discriminations, which are, so to speak, the backbone of morality. Unlimited possibilities are not suited to man; if they existed, his life would only dissolve in the boundless. To become strong, a man's life needs the limitations ordained by duty and voluntarily accepted. The individual attains significance as a free spirit only by surrounding himself with these limitations and by determining for himself what his duty is.*

## **3) THE LINES:**

*Six in the fourth place means:*

*Contented limitation.*

*Success.*

*Every limitation has its value, but a limitation that requires persistent effort entails a cost of too much energy. When, however, the limitation is a natural one (as for example, the limitation by which water flows only downhill), it necessarily leads to success, for then it means a saving of energy. The energy that otherwise would be consumed in a vain struggle with the object, is applied wholly to the benefit of the matter in hand, and success is assured.*

#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 58 – Tui - The Joyous, Lake

*This hexagram, like Sun, is one of the eight formed by doubling of a trigram. The trigram Tui denotes the youngest daughter; it is symbolized by the smiling lake, and its attribute is joyousness. Contrary to appearances, it is not the yielding quality of the top line that accounts for joy here. The attribute of the yielding or dark principle is not joy but melancholy. However, JOY is indicated by the fact that there are two strong lines within, expressing themselves through the medium of gentleness.*

*True joy, therefore, rests on firmness and strength within, manifesting itself outwardly as yielding and gentle.*

#### **THE JUDGMENT**

**THE JOYOUS.**

Success.

Perseverance is favorable.

*The joyous mood is infectious and therefore brings success. But joy must be based on steadfastness if it is not to degenerate into uncontrolled mirth. Truth and strength must dwell in the heart, while gentleness reveals itself in social intercourse. In this way one assumes the right attitude toward God and man and achieves something. Under certain conditions, intimidation without gentleness may achieve something momentarily, but not for all time. When, on the other hand, the hearts of men are won by friendliness, they are led to take all hardships upon themselves willingly, and if need be will not shun death itself, so great is the power of joy over men.*

#### **THE IMAGE**

*Lakes resting one on the other: The image of THE JOYOUS.*

*Thus the superior man joins with his friends*

*For discussion and practice.*

*A lake evaporates upward and thus gradually dries up; but when two lakes are joined they do not dry up so readily, for one replenishes the other. It is the same in the field of knowledge. Knowledge should be a refreshing and vitalizing force. It becomes so only through stimulating intercourse with congenial friends with whom one holds discussion and practices application of the truths of life. In this way learning becomes many-sided and takes on a cheerful lightness, whereas there is always something ponderous and one-sided about the learning of the self-taught.*

## Regeneron Pharmaceuticals, Inc. REGN under CEO Leonard S. Schleifer

Leonard Schleifer's Performance: ROI= 437.69% Annualized Return= 8.60%

SPY's Performance: ROI= 178.95% Annualized Return= 5.16%

Leonard S. Schleifer has been CEO of Regeneron Pharmaceuticals since 1988. He is one of the founders.

Since 1991, he has been able to outperform the SPY substantially proving he is a superior CEO.

Because he has been CEO for almost more than two decades, we asked the Oracle once more about his future. His new hexagram is Limitations.

Points the investor should consider:

The Hexagram – 60 Limitation is favorable provided there is a limit to the limitations:

**Success.**

**Galling limitation must not be persevered in.**

The Advice for him is:

- *the superior man*
  - *Creates number and measure, And*
  - *Examines the nature of virtue and correct conduct.*

The lines: There is one moving line: which is negative.

*Nine in the second place means:*

*Not going out of the gate and the courtyard*

**Brings misfortune.**

**When the time for action has come, the moment must be quickly seized. Just as water first collects in a lake without flowing out, yet is certain to find an outlet when the lake is full, so it is in the life of man. It is a good thing to hesitate so long as the time for action has not come, but no longer. Once the obstacles to action have been removed, anxious hesitation is a mistake that is bound to bring disaster, because one misses one's opportunity.**

The Moving Hexagram: 03 Difficulty at the Beginning which is positive provided he does not implement grand projects and looks for able helpers:

*Furthering through perseverance.*

*Nothing should be undertaken.*

*It furthers one to appoint helpers.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the second place means:  
Not going out of the gate and the courtyard  
Brings misfortune.*

*When the time for action has come, the moment must be quickly seized. Just as water first collects in a lake without flowing out, yet is certain to find an outlet when the lake is full, so it is in the life of man. It is a good thing to hesitate so long as the time for action has not come, but no longer. Once the obstacles to action have been removed, anxious hesitation is a mistake that is bound to bring disaster, because one misses one's opportunity.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 03 – Chun - Difficulty at the Beginning*

*The name of the hexagram, Chun, really connotes a blade of grass pushing against an obstacle as it sprouts out of the earth hence the meaning, "difficulty at the beginning." The hexagram indicates the way in which heaven and earth bring forth individual beings. It is their first meeting, which is beset with difficulties. The lower trigram Chen is the Arousing; its motion is upward and its image is thunder.*

*The upper trigram K'an stands for the Abysmal, the dangerous. Its motion is downward and its image is rain. The situation points to teeming, chaotic profusion; thunder and rain fill the air. But the chaos clears up. While the Abysmal sinks, the upward movement eventually passes beyond the danger. A thunderstorm brings release from tension, and all things breathe freely again.*

### **THE JUDGMENT**

*DIFFICULTY AT THE BEGINNING works supreme success,  
Furthering through perseverance.  
Nothing should be undertaken.  
It furthers one to appoint helpers.*

*Times of growth are beset with difficulties. They resemble a first birth. But these difficulties arise from the very profusion of all that is struggling to attain form. Everything is in motion: therefore if one perseveres there is a prospect of great success, in spite of the existing danger. When it is a man's fate to undertake such new beginnings, everything is still unformed, dark.*

*Hence he must hold back, because any premature move might bring disaster. Likewise, it is very important not to remain alone; in order to overcome the chaos he needs helpers. This is not to say, however, that he himself should look on passively at what is happening. He must lend his hand and participate with inspiration and guidance.*

**THE IMAGE**

*Clouds and thunder: The image Of DIFFICULTY AT THE BEGINNING.*

*Thus the superior man*

*Brings order out of confusion.*

*Clouds and thunder are represented by definite decorative lines; this means that in the chaos of difficulty at the beginning, order is already implicit. So too the superior man has to arrange and organize the inchoate profusion of such times of beginning, just as one sorts out silk threads from a knotted tangle and binds them into skeins. In order to find one's place in the infinity of being, one must be able both to separate and to unite.*

1. A different translation is possible here, which would result in a different interpretation:

*Difficulties pile up.*

*Horse and wagon turn about.*

*If the robber were not there,*

*The wooer would come.*

*The maiden is faithful, she does not pledge herself.*

*Ten years-then she pledges herself.*

## **AT&T, Inc. T under CEO Randall L. Stephenson**

Randall Stephenson's Performance:	ROI= (27.45%)	Annualized Return= (7.07%)
SPY's Performance:	ROI= (18.85%)	Annualized Return= (4.66%)

Randall Stephenson became CEO of AT&T in June of 2007.

Since then, his performance has been very poor compared to the SPY's.

Points the investor should consider:

The Hexagram – 60 Limitation is favorable provided there is a limit to the limitations:

**Success.**

**Galling limitation must not be persevered in.**



The Advice for him is:

- *the superior man*
  - *Creates number and measure, And*
  - *Examines the nature of virtue and correct conduct.*

The lines: There is one moving line: which is negative, and includes a warning from Confucius himself:

- *Nine at the beginning means:*  
*Not going out of the door and the courtyard*  
*Is without blame.*

*Often a man who would like to undertake something finds himself confronted by insurmountable limitations. Then he must know where to stop. If he rightly understands this and does not go beyond the limits set for him, he accumulates an energy that enables him, when the proper time comes, to act with great force. Discretion is of prime importance in preparing the way for momentous things.*

*Concerning this, Confucius says:*

*Where disorder develops, words are the first steps. If the prince is not discreet, he loses his servant. If the servant is not discreet, he loses his life. If germinating things are not handled with discretion, the perfecting of them is impeded. Therefore the superior man is careful to maintain silence and does not go forth.*

The Moving Hexagram: 29 The Abysmal (Repeated) which tends to be negative and holds a warning:

*The Abysmal repeated.*  
*If you are sincere, you have success in your heart,*  
*And whatever you do succeeds.*

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine at the beginning means:*

*Not going out of the door and the courtyard  
Is without blame.*

*Often a man who would like to undertake something finds himself confronted by insurmountable limitations. Then he must know where to stop. If he rightly understands this and does not go beyond the limits set for him, he accumulates an energy that enables him, when the proper time comes, to act with great force. Discretion is of prime importance in preparing the way for momentous things.*

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#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 29 - K'an - The Abysmal (Water)*

*This hexagram consists of a doubling of the trigram K'an. It is one of the eight hexagrams in which doubling occurs. The trigram K'an means a plunging in. A yang line has plunged in between two yin lines and is closed in by them like water in a ravine. The trigram K'an is also the middle son. The Receptive has obtained the middle line of the Creative, and thus K'an develops. As an image it represents water, the water that comes from above and is in motion on earth in streams and rivers, giving rise to all life on earth.*

*In man's world K'an represents the heart, the soul locked up within the body, the principle of light inclosed in the dark - that is, reason. The name of the hexagram, because the trigram is doubled, has the additional meaning, "repetition of danger." Thus the hexagram is intended to designate an objective situation to which one must become accustomed, not a subjective attitude. For danger due to a subjective attitude means either foolhardiness or guile. Hence too a ravine is used to symbolize danger; it is a situation in which a man is in the same pass as the water in a ravine, and, like the water, he can escape if he behaves correctly.*

#### **THE JUDGMENT**

*The Abysmal repeated.*

*If you are sincere, you have success in your heart,  
And whatever you do succeeds.*

*Through repetition of danger we grow accustomed to it. Water sets the example for the right conduct under such circumstances. It flows on and on, and merely fills up all the places through which it flows; it does not shrink from any dangerous spot nor from any plunge, and nothing can make it lose its own essential nature. It remains true to itself under all conditions. Thus likewise, if one is sincere when confronted with difficulties, the heart can penetrate the meaning of the situation. And once we have gained inner mastery of a problem, it will come about naturally that the action we take will succeed. In danger all that counts is really carrying out all that has to be done – thoroughness - and going forward, in order not to perish through tarrying in the danger.*

*Properly used, danger can have an important meaning as a protective measure. Thus heaven has its perilous height protecting it against every attempt at invasion, and earth has its mountains and bodies of water, separating countries by their dangers. Thus also rulers make use of danger to protect themselves against attacks from without and against turmoil within.*

### **THE IMAGE**

*Water flows on uninterruptedly and reaches its goal: The image of the Abysmal repeated.  
Thus the superior man walks in lasting virtue  
And carries on the business of teaching.*

*Water reaches its goal by flowing continually. It fills up every depression before it flows on. The superior man follows its example; he is concerned that goodness should be an established attribute of character rather than an accidental and isolated occurrence. So likewise in teaching others everything depends on consistency, for it is only through repetition that the pupil makes the material his own.*

## **The St. Joe Company JOE under CEO Wm. Britton Greene**

Britton Greene's Performance:	ROI= (31.16%)	Annualized Return= (12.40%)
SPY's Performance:	ROI= (4.01%)	Annualized Return= (1.44%)

Britton Greene became CEO in May of 2008 and resigned in February of 2011.

During that period, his performance was very poor compared to the SPY's.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Six at the top means:*

*Galling limitation.*

*Perseverance brings misfortune.*

*Remorse disappears.*

*If one is too severe in setting up restrictions, people will not endure them. The more consistent such severity, the worse it is, for in the long run a reaction is unavoidable. In the same way, the tormented body will rebel against excessive asceticism. On the other hand, although ruthless severity is not to be applied persistently and systematically, there may be times when it is the only means of safeguarding against guilt and remorse. In such situations ruthlessness toward oneself is the only means of saving one's soul, which otherwise would succumb to irresolution and temptation.*

#### **4) THE MOVING HEXAGRAM**

##### *HEXAGRAM 61 - Chung Fu - Inner Truth*

*The wind blows over the lake and stirs the surface of the water. Thus visible effects of the invisible manifest themselves. The hexagram consists of firm lines above and below, while it is open in the center. This indicates a heart free of prejudices, and therefore open to truth. On the other hand, each of the two trigrams has a firm line in the middle; this indicates the force of inner truth in the influences they represent.*

*The attributes of the two trigrams are: above, gentleness, forbearance toward inferiors; below, Joyousness in obeying superiors. Such conditions create the basis of a mutual confidence that makes achievements possible.*

*The character Fu ("truth") is actually the picture of a bird's foot over a fledgling. It suggests the idea of brooding. An egg is hollow. The light-giving power must work to quicken it from outside, but there must be a germ of life within, if life is to be awakened. Far-reaching speculations can be linked with these ideas.*

#### **THE JUDGMENT**

**INNER TRUTH.** *Pigs and fishes.*

*Good fortune.*

*It furthers one to cross the great Water.*

*Perseverance furthers.*

*Pigs and fishes are the least intelligent of all animals and therefore the most difficult to influence. The force of inner truth must grow great indeed before its influence can extend to such creatures. In dealing with persons as intractable and as difficult to influence as a pig or a fish, the whole secret of success depends on finding the right way of approach. One must first rid oneself of all prejudice and, so to speak, let the psyche of the other person act on one without restraint. Then one will establish contact with him, understand and gain power over him. When a door has thus been opened, the force of one's personality will influence him. If in this way one finds no obstacles insurmountable, one can undertake even the most dangerous things, such as crossing the great water, and succeed.*

*But it is important to understand upon what the force of inner truth depends. This force is not identical with simple intimacy or a secret bond. Close ties may exist also among thieves; it is true that such a bond acts as a force but, since it is not invincible, it does not bring good fortune. All association on the basis of common interests holds only up to a certain point. Where the community of interest ceases, the holding together ceases also, and the closest friendship often*

*changes into hate. Only when the bond is based on what is right, on steadfastness, will it remain so firm that it triumphs over everything.*

### **THE IMAGE**

*Wind over lake: the image of INNER TRUTH.  
Thus the superior man discusses criminal cases  
In order to delay executions.*

*Wind stirs water by penetrating it. Thus the superior man, when obliged to judge the mistakes of men, tries to penetrate their minds with understanding, in order to gain a sympathetic appreciation of the circumstances. In ancient China, the entire administration of justice was guided by this principle. A deep understanding that knows how to pardon was considered the highest form of justice. This system was not without success, for its aim was to make so strong a moral impression that there was no reason to fear abuse of such mildness. For it sprang not from weakness but from a superior clarity.*

## **Flextronics International Ltd. FLEX under CEO Michael McNamara**

Michael McNamara's Performance:	ROI= (33.29%)	Annualized Return= (6.42%)
SPY's Performance:	ROI= 6.55%	Annualized Return= 1.04%

Michael McNamara became CEO of Flextronics in January of 2006.

Since then, his performance has been extremely poor compared to the SPY's.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is Limitations.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine in the fifth place means:  
Sweet limitation brings good fortune.  
Going brings esteem.*

*The limitation must be carried out in the right way if it is to be effective. If we seek to impose restrictions on others only, while evading them ourselves, these restrictions will always be resented and will provoke resistance. If, however, a man in a leading position applies the limitation first to himself, demanding little from those associated with him, and with modest means manages to achieve something, good fortune is the result. Where such an example occurs, it meets with emulation, so that whatever is undertaken must succeed.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 19 – Lin - Approach*

*The Chinese word Lin has a range of meanings that is not exhausted by any single word of another language. The ancient explanations in the Book of Changes give as its first meaning, "becoming great." What becomes great are the two strong lines growing into the hexagram from below; the light-giving power expands with them. The meaning is then further extended to include the concept of approach, especially the approach of what is strong and highly placed in relation to what is lower. Finally the meaning includes the attitude of condescension of a man in high position toward the people, and in general the setting to work on affairs. This hexagram is linked with the twelfth month (January-February), when, after the winter solstice, the light power begins to ascend again.*

#### **THE JUDGMENT**

*APPROACH has supreme success.  
Perseverance furthers.  
When the eighth month comes,  
There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next hexagram). We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

#### **THE IMAGE**

*The earth above the lake: The image of APPROACH.  
Thus the superior man is inexhaustible  
In his will to teach,  
And without limits*

*In his tolerance and protection of the people.*

*The earth borders upon the lake from above 1. This symbolizes the approach and condescension of the man of higher position to those beneath him. The two parts of the image indicate what his attitude toward these people will be. Just as the lake is inexhaustible in depth, so the sage is inexhaustible in his readiness to teach mankind, and just as the earth is boundlessly wide, sustaining and caring for all creatures on it, so the sage sustains and cares for all people and excludes no part of humanity.*

## **Vodafone Group plc VOD under CEO Vittorio Colao**

Vittorio Colao's Performance:	ROI= (6.86%)	Annualized Return= (2.14%)
SPY's Performance:	ROI= (1.03%)	Annualized Return= (0.31%)

Vittorio Colao became CEO of Vodafone in July of 2008.

Since then, he has not been able to outperform the SPY's.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

There are no moving lines.

#### **4) THE MOVING HEXAGRAM**

*There is no moving Hexagram because there are no moving lines. The focusing point is the Judgment.*

*LIMITATION.*

*Success.*

*Galling limitation must not be persevered in.*

*Limitations are troublesome, but they are effective. If we live economically in normal times, we are prepared for times of want. To be sparing saves us from humiliation. Limitations are also indispensable in the regulation of world conditions. In nature there are fixed limits for summer and winter, day and night, and these limits give the year its meaning. In the same way, economy, by setting fixed limits upon expenditures, acts to preserve property and prevent injury to the people.*

*But in limitation we must observe due measure. If a man should seek to impose galling limitations upon his own nature, it would be injurious. And if he should go too far in imposing limitations on others, they would rebel. Therefore it is necessary to set limits even upon limitations*

It is interesting to note the Nuclear Hexagram.

## **NUCLEAR HEXAGRAM**

*HEXAGRAM 27 – I - The Corners of the Mouth (Providing Nourishment)*

*This hexagram is a picture of an open mouth; above and below are the firm lines of the lips, and between them the opening. Starting with the mouth, through which we take food for nourishment, the thought leads to nourishment itself. Nourishment of oneself, specifically of the body, is represented in the three lower lines, while the three upper lines represent nourishment and care of others, in a higher, spiritual sense.*

### *THE JUDGMENT*

*THE CORNERS OF THE MOUTH.*

*Perseverance brings good fortune.*

*Pay heed to the providing of nourishment*

*And to what a man seeks*

*To fill his own mouth with.*

*In bestowing care and nourishment, it is important that the right people should be taken care of and that we should attend to our own nourishment in the right way. If we wish to know what anyone is like, we have only to observe on whom he bestows his care and what sides of his own nature he cultivates and nourishes. Nature nourishes all creatures. The great man fosters and takes care of superior men, in order to take care of all men through them.*

*Mencius says about this:*

*If we wish to know whether anyone is superior or not, we need only observe what part of his being he regards as especially important. The body has superior and inferior, important and unimportant parts. We must not injure important parts for the sake of the unimportant, nor must we injure the superior parts for the sake of the inferior. He who cultivates the inferior parts of his nature is an inferior man. He who cultivates the superior parts of his nature is a superior man. 1*

### *THE IMAGE*

*At the foot of the mountain, thunder: The image of PROVIDING NOURISHMENT.*



*Thus the superior man is careful of his words  
And temperate in eating and drinking.*

*"God comes forth in the sign of the Arousing" 2: when in the spring the life forces stir again, all things come into being anew.*

*"He brings to perfection in the sign of Keeping Still": thus in the early spring, when the seeds fall to earth, all things are made ready.*

*This is an image of providing nourishment through movement and tranquility. The superior man takes it as a pattern for the nourishment and cultivation of his character. Words are a movement going from within outward. Eating and drinking are movements from without inward. Both kinds of movement can be modified by tranquility. For tranquility keeps the words that come out of the mouth from exceeding proper measure, and keeps the food that goes into the mouth from exceeding its proper measure. Thus character is cultivated.*

# **61 INNER TRUTH**

## **MANAGERIAL ISSUE:**

The CEO – managing with his Inner Truth (strength and vision) to improve the corporation.

Hexagram 61 represents a Time-Space where the CEO must focus on developing his inner strength to manage superiors and subordinates. The CEO must free his heart of prejudices so that he can be open to the truth. Only a CEO, who has the inner strength and is sure of his own beliefs as well as of his own vision, is capable of listening to other men's ideas without fearing losing his own ideas; such a CEO, is an open minded man who will prejudge nothing, and who will respect other men's ideas as much as his own.

## **MANAGERIAL LESSON:**

The Superior CEO:

- 1) Practices the same proper behavior towards the Board of Directors as well as towards the employees- (“as above, so below”, or “on Earth as it is in Heaven”). On this point, the Superior CEO shows:
  - a) The proper behavior towards his superiors, including shareholders and the Board of Directors - he is loyal, willing to execute their plans at all times, and shows a pleasant disposition as well as a positive attitude towards them. And
  - b) The proper behavior towards the employees - he is generous with rewards and willing to forgive mistakes because he knows the smart executives grow with their mistakes.

The best CEOs have these traits. However, there are so many CEOs who easily come to mind for showing adulation for the Board of Directors, contempt for the shareholders and meanness towards the employees.

- 2) Stimulates corporate talent. There are two important corporate elements to this concept:
  - a) The corporation must have something of value to add to its customers such as a brilliant idea in the form of a product or service, as well as the talented people who generate the ideas. And
  - b) The CEO must have the ability to stimulate such talent.
- 3) Creates synergy. The CEO can carry a corporation on his sheer talent up to a point. But a CEO who works with talented people can create so much synergy that he can distance his corporation much beyond any competitor’s reach.
- 4) Communicates - the CEO’s success will depend upon the manner in which he reaches out to the personnel.

- a) First, the CEO must be very strong within. Holding the inner vision will provide the strength.
  - b) Second, he must open up all communication channels to his personnel so that his personnel will, in turn, open up to him - today is much easier thanks to the e-mail, twitter, Facebook and the Internet in general. He should do so provided his attitude is sincere and will not prejudge or discriminate against anyone. Once the CEO opens up his mind, his personnel will also open up their minds and then the CEO can cross over through this communication channel to understand, to influence and to motivate the personnel into doing practically anything not matter how challenging and not matter how risky. The CEO and the employees can be compared to two computers opening up their communication channels; the one with the master program (CEO) will lead the other one to perform the tasks.
- 5) Provides the right cause - The nature of the linking of the minds - that of the CEO and that of the employees - must be tied to a good cause. The Superior CEO knows that:
- a) A CEO who inspires others to create, to manufacture and to sell a product harmful to others, is basing his inspiration on evil, and evil cannot last. In the end the employees will realize the evil nature of their work and will turn on their CEO. This is the case of companies such as Phillip Morris. A long time ago they realized the evil nature of their product and tried to disguise it by diversifying into other products such as Miller Beer, Kraft and Oscar Meyer instead of shutting down the tobacco plants. Phillip Morris was, is and will continue to be an evil company whether it hides behind a conglomerate or whether it returns to its single form after spinning off the other corporations.
  - b) No self-respecting worker would want to elaborate a product like cigarettes, which are so harmful for the consumers. On the other hand, everyone would be very proud to work for a company which mission is to serve and satisfy the client - such as GE when Welch had the Mandate of Heaven. The bonding between Jack Welch and his employees was not so much based on fear as some have said, but on an almost religious fervor in their belief of the righteousness of their mission. Only a CEO who has the Mandate of Heaven can inspire such attitude - workers will work day and night, and go the extra mile when they are convinced of the righteousness of their mission.
- 6) Understands the employees' mistakes. Naturally, CEOs would prefer to deal with successes rather than failures. However, CEOs know that all employees make mistakes, and that correcting mistakes is both an integral part of inspiring others as well as a fundamental part of maintaining corporate order. The CEO, who applies the same mind-picking abilities that have made him successful in inspiring others, will easily understand the reasons why the employee made the mistake. Understanding usually leads to forgiveness and that is one of the secrets of success. CEOs are very powerful. They can destroy employees' career very easily. The CEOs know it and all smart employees know it also. Thus, when a CEO understands and forgives an employee's mistake, then the smart employee will correct his mistake faster and with more desire than if he had received the worst punishment.
- 7) Applies justice and understanding as the basis for inspiring others.

## **INVESTMENT ADVICE:**

For the investor, the Inner Truth represents in general terms an unfavorable Time-Space to invest. Few CEOs have the Inner Truth.

By itself (no lines) the Time-Space points to Good Fortune provided the CEO makes “contact” with the employees and customers.

*INNER TRUTH. Pigs and fishes.*

*Good fortune.*

*It furthers one to cross the great Water.*

*Perseverance furthers.*

*Pigs and fishes are the least intelligent of all animals and therefore the most difficult to influence. The force of inner truth must grow great indeed before its influence can extend to such creatures. In dealing with persons as intractable and as difficult to influence as a pig or a fish, the whole secret of success depends on finding the right way of approach. One must first rid oneself of all prejudice and, so to speak, let the psyche of the other person act on one without restraint. Then one will establish contact with him, understand and gain power over him. When a door has thus been opened, the force of one's personality will influence him. If in this way one finds no obstacles insurmountable, one can undertake even the most dangerous things, such as crossing the great water, and succeed.*

*But it is important to understand upon what the force of inner truth depends. This force is not identical with simple intimacy or a secret bond. Close ties may exist also among thieves; it is true that such a bond acts as a force but, since it is not invincible, it does not bring good fortune. All association on the basis of common interests holds only up to a certain point. Where the community of interest ceases, the holding together ceases also, and the closest friendship often changes into hate. Only when the bond is based on what is right, on steadfastness, will it remain so firm that it triumphs over everything.*

The lines, however, have no good possibilities except for the first line. The rest are negative or extremely negative such as the sixth line.

The following are cases of corporations under the Inner Truth Time-Space:

- **Chevron Corp. CVX under CEO John Watson**
- **Microsoft Corporation MSFT under CEO Steven A. Ballmer**
- **Mattel Inc. MAT under CEO Robert A. Eckert**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – in the beginning.

**Managerial Lesson:** Be independent.

**Managerial Warning:** At the first stage of the Inner Truth Time-Space, the CEO must find his *inner stability and be prepared*.

**Managerial Advice:** The Superior CEO relies on his Inner Truth or vision to properly guide his corporation. Such Inner Truth or conviction or drive should be based on a proper balance between peace of mind and a constant readiness at all times to face any event. He maintains his Inner Truth by relying on himself, by understanding those who surround him, and by keeping his independence from any individual or from any group. The Superior CEO knows that should he rely on others for the vision, his conviction might waver and he will be lost.

**Investment advice:** Do not invest. Look for a better alternative

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – inspiring the employees with his Inner Truth.

**Managerial Lesson:** Be inspirational.

**Managerial Warning:** At the second stage of the Inner Truth Time-Space, the CEO risks speaking thoughtlessly or foolishly.

**Managerial Advice:** The Superior CEO must follow the sequence:

- 1) Speak with conviction and from the heart to inspire others in accomplishing great deeds.
- 2) Move others with his truth because the truth will reach the hearts of all employees with the same strength as it vibrates in the CEO's heart.
- 3) Reinforce this common vibration which will unify all corporate employees in a single spiritual bond. And
- 4) Amplify this spiritual bond so that it will expand like a circle in a pond bringing more individuals who would like to be a part of the vision to join the corporation and follow its CEO.

This is the classic line of legendary CEOs like Mr. Hewlett or Mr. Packard whose conviction was so strong they were responsible for the gathering of the top talent of many generations. This is also the line of Walton and many others.

**Investment advice:** Do not invest

## **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – relying on others' Inner Truth rather than his own.

**Managerial Lesson:** Be self-assured.

**Managerial Warning:** At the third stage of the Inner Truth Time-Space, the CEO relies on the conviction of others to get things accomplished.

**Managerial Advice:** The Superior CEO knows that to rely on others' Inner Truth rather than on his own is to expose himself to the will of others. Such exposure will do away with his sense of balance because he will be exposed to the peaks and valleys of emotions. He will either feel the joy or feel the pain of someone else's triumph or failure.

Even though the I Ching gives no final verdict to this condition, as it seems to be relative, it is not the best managerial option.

**Investment advice:** Do not invest.

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – looking for Inner Truth from his superior.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fourth stage of the Inner Truth Time-Space, the CEO must look for a “superior” to enlighten him.

**Managerial Advice:** The Superior CEO knows that:

- Even if he is a brilliant CEO, he still will require once in a while a superior mind to help him clarify his goals.
- Such approach demands humility because it is hard for a brilliant CEO to accept someone else's advice.

Here there is an apparent reference to the I Ching itself as that direct advisor that could help him clarify his ideas. The I Ching recommends the CEO should:

- Approach the I Ching with the humility and reverence such a source of wisdom deserves, and
- Be prepared to give up that which divides mankind and focus on carrying out the I Ching's direct advice.

**Investment advice:** Do not invest

## **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – depending on his personality for his Inner Truth.

**Managerial Lesson:** Be passionate.

**Managerial Warning:** At the fifth stage of the Inner Truth Time-Space, the CEO *holds all elements together by the power of his personality.*

**Managerial Advice:** The Superior CEO manages his corporation by the sheer strength of his personality. He holds the power of conviction to influence his followers. He knows such power of conviction is crucial to successfully keep together the corporation to reach its goals.

**Investment advice:** Do not invest

## **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing with his Inner Truth (strength and vision) to improve the corporation – when his Inner Truth is superficial.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the sixth stage of the Inner Truth Time-Space, the CEO succeeds temporarily using mere words to arouse the corporate spirit.

**Managerial Advice:** The Superior CEO knows when:

- His Inner Truth is not for real,
- It is only superficial,
- His message is empty and will not reach the employees' heart.
- It does not come from within because he holds no Inner Truth.

Even if he is an excellent communicator, nothing can be achieved if he lacks a real message. Charm can only carry a CEO so far, in the end the CEO has to deliver.

**Investment advice:** Do not invest

## MANAGERIAL CASES

### **Chevron Corp. CVX under CEO John Watson**

John Watson's Performance: ROI= 29.85%      Annualized Return= 15.70%  
SPY's Performance:                      ROI= 7.07%                      Annualized Return= 3.88%

John Watson became CEO of Chevron in January of 2010.

Since then, he has been able to outperform the SPY thanks both to his skills as well as to the large demand for raw materials.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 61 - Chung Fu - Inner Truth*

*The wind blows over the lake and stirs the surface of the water. Thus visible effects of the invisible manifest themselves. The hexagram consists of firm lines above and below, while it is open in the center. This indicates a heart free of prejudices, and therefore open to truth. On the other hand, each of the two trigrams has a firm line in the middle; this indicates the force of inner truth in the influences they represent.*

*The attributes of the two trigrams are: above, gentleness, forbearance toward inferiors; below, Joyousness in obeying superiors. Such conditions create the basis of a mutual confidence that makes achievements possible.*

*The character Fu ("truth") is actually the picture of a bird's foot over a fledgling. It suggests the idea of brooding. An egg is hollow. The light-giving power must work to quicken it from outside, but there must be a germ of life within, if life is to be awakened. Far-reaching speculations can be linked with these ideas.*

#### **THE JUDGMENT**

*INNER TRUTH. Pigs and fishes.*

*Good fortune.*

*It furthers one to cross the great Water.*

*Perseverance furthers.*

*Pigs and fishes are the least intelligent of all animals and therefore the most difficult to influence. The force of inner truth must grow great indeed before its influence can extend to such creatures. In dealing with persons as intractable and as difficult to influence as a pig or a*



fish, the whole secret of success depends on finding the right way of approach. One must first rid oneself of all prejudice and, so to speak, let the psyche of the other person act on one without restraint. Then one will establish contact with him, understand and gain power over him. When a door has thus been opened, the force of one's personality will influence him. If in this way one finds no obstacles insurmountable, one can undertake even the most dangerous things, such as crossing the great water, and succeed.

But it is important to understand upon what the force of inner truth depends. This force is not identical with simple intimacy or a secret bond. Close ties may exist also among thieves; it is true that such a bond acts as a force but, since it is not invincible, it does not bring good fortune. All association on the basis of common interests holds only up to a certain point. Where the community of interest ceases, the holding together ceases also, and the closest friendship often changes into hate. Only when the bond is based on what is right, on steadfastness, will it remain so firm that it triumphs over everything.

## **2) THE ADVICE**

*Wind over lake: the image of INNER TRUTH.  
Thus the superior man discusses criminal cases  
In order to delay executions.*

*Wind stirs water by penetrating it. Thus the superior man, when obliged to judge the mistakes of men, tries to penetrate their minds with understanding, in order to gain a sympathetic appreciation of the circumstances. In ancient China, the entire administration of justice was guided by this principle. A deep understanding that knows how to pardon was considered the highest form of justice. This system was not without success, for its aim was to make so strong a moral impression that there was no reason to fear abuse of such mildness. For it sprang not from weakness but from a superior clarity.*

## **3) THE LINES:**

*Nine in the fifth place means:  
He possesses truth, which links together.  
No blame.*

*This describes the ruler who holds all elements together by the power of his personality. Only when the strength of his character is so ample that he can influence all who are subject to him, is he as he needs to be. The power of suggestion must emanate from the ruler. It will firmly knit together and unite all his adherents. Without this central force, all external unity is only deception and breaks down at the decisive moment.*

## **4) THE MOVING HEXAGRAM**

*HEXAGRAM 41 – Sun - Decrease*

*This hexagram represents a decrease of the lower trigram in favor of the upper, because the third line, originally strong, has moved up to the top, and the top line, originally weak, has replaced it. 1 What is below is decreased to the benefit of what is above. This is out-and-out*

decrease. If the foundations of a building are decreased in strength and the upper walls are strengthened, the whole structure loses its stability. Likewise, a decrease in the prosperity of the people in favor of the government is out-and-out decrease. And the entire theme of the hexagram is directed to showing how this shift of wealth can take place without causing the sources of wealth in the nation and its lower classes to fail.

### THE JUDGMENT

*DECREASE combined with sincerity  
Brings about supreme good fortune  
Without blame.  
One may be persevering in this.  
It furthers one to undertake something.  
How is this to be carried out?  
One may use two small bowls for the sacrifice.*

*Decrease does not under all circumstances mean something bad. Increase and decrease come in their own time. What matters here is to understand the time and not to try to cover up poverty with empty pretense. If a time of scanty resource brings out an inner truth, one must not feel ashamed of simplicity. For simplicity is then the very thing needed to provide inner strength for further undertakings. Indeed, there need be no concern if the outward beauty of the civilization, even the elaboration of religious forms, should have to suffer because of simplicity. One must draw on the strength of the inner attitude to compensate for what is lacking in externals; then the power of the content makes up for the simplicity of form. There is no need of presenting false appearances to God. Even with slender means, the sentiment of the heart can be expressed. 2*

### THE IMAGE

*At the foot of the mountain, the lake: The image of DECREASE.  
Thus the superior man controls his anger  
And restrains his instincts.*

*The lake at the foot of the mountain evaporates. In this way it decreases to the benefit of the mountain, which is enriched by its moisture. The mountain stands as the symbol of a stubborn strength that can harden into anger. The lake is the symbol of unchecked gaiety that can develop into passionate drives at the expense of the life forces. Therefore decrease is necessary; anger must be decreased by keeping still, the instincts must be curbed by restriction. By this decrease of the lower powers of the psyche, the higher aspects of the soul are enriched.*

## Microsoft Corporation MSFT under CEO Steve A. Ballmer

Steven A. Ballmer's Performance: ROI= (51.50%)      Annualized Return= (5.94%)  
SPY's Performance:                      ROI= (16.53%)      Annualized Return= (1.52%)

Steven A. Ballmer became CEO of Microsoft in January of 2000.

Since then he has turned in a disastrous performance proving that he should seriously consider resigning.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is Inner Truth.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

*Nine in the second place means:*

*A crane calling in the shade.*

*Its young answer it.*

*I have a good goblet.*

*I will share it with you.*

*This refers to the involuntary influence of a man's inner being upon persons of kindred spirit. The crane need not show itself on a high hill. It may be quite hidden when it sounds its call; yet its young will bear its note, will recognize it and give answer. Where there is a joyous mood, there a comrade will appear to share a glass of wine.*

*This is the echo awakened in men through spiritual attraction. Whenever a feeling is voiced with truth and frankness, whenever a deed is the clear expression of sentiment, a mysterious and far-reaching influence is exerted. At first it acts on those who are inwardly receptive. But the circle grows larger and larger. The root of all influence lies in one's own inner being: given true and vigorous expression in word and deed, its effect is great. The effect is but the reflection of something that emanates from one's own heart. Any deliberate intention of an effect would only destroy the possibility of producing it.*

*Confucius says about this line:*

*The superior man abides in his room. If his words are well spoken, he meets with assent at a distance of more than a thousand miles. How much more then from nearby! If the superior man abides in his room and his words are not well spoken, he meets with contradiction at a distance of more than a thousand miles. How much more then from nearby! Words go forth from one's own person and exert their influence on men. Deeds are born close at hand and become visible far away. Words and deeds are the hinge and bowspring of the superior man. As hinge and bowspring move, they bring honor or disgrace. Through words and deeds the superior man moves heaven and earth. Must one not, then, be cautious?*

*Six in the fourth place means:*

*The moon nearly at the full.*

*The team horse goes astray.*

*No blame.*

*To intensify the power of inner truth, a man must always turn to his superior, from whom he can receive enlightenment as the moon receives light from the sun. However, this requires certain humility, like that of the moon when it is not yet quite full. At the moment when the moon becomes full and stands directly opposite the sun, it begins to wane. Just as on the one hand we must be humble and reverent when face to face with the source of enlightenment, so likewise must we on the other renounce factionalism among men. Only by pursuing one's course like a horse that goes straight ahead without looking sidewise at its mate, can one retain the inner freedom that helps one onward.*

*Nine at the top means:*

*Cockcrow penetrating to heaven.*

*Perseverance brings misfortune.*

*The cock is dependable. It crows at dawn. But it cannot itself fly to heaven. It just crows. A man may count on mere words to awaken faith. This may succeed now but if persisted in, it will have bad consequences.*

#### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 17 – Sui - Following*

*The trigram Tui, the Joyous, whose attribute is gladness, is above; Chen, the Arousing, which has the attribute of movement, is below. Joy in movement induces following. The Joyous is the youngest daughter, while the Arousing is the eldest son. An older man defers to a young girl and shows her consideration. By this he moves her to follow him.*

#### **THE JUDGMENT**

*FOLLOWING has supreme success.*

*Perseverance furthers.*

*No blame.*

*In order to obtain a following one must first know how to adapt oneself. If a man would rule he must first learn to serve, for only in this way does he secure from those below him the joyous assent that is necessary if they are to follow him. If he has to obtain a following by force or cunning, by conspiracy or by creating factions, he invariably arouses resistance, which obstructs willing adherence. But even joyous movement can lead to evil consequences, hence the added stipulation, "Perseverance furthers"-that is, consistency in doing right - together with "No blame." Just as we should not ask others to follow us unless this condition is fulfilled, so it is only under this condition that we can in turn follow others without coming to harm.*

*The thought of obtaining a following through adaptation to the demands of the time is a great and significant idea; this is why the appended judgment is so favorable.*

## THE IMAGE

*Thunder in the middle of the lake: The image of FOLLOWING.  
Thus the superior man at nightfall  
Goes indoors for rest and recuperation.*

*In the autumn electricity withdraws into the earth again and rests. Here it is the thunder in the middle of the lake that serves as the image - thunder in its winter rest, not thunder in motion. The idea of following in the sense of adaptation to the demands of the time grows out of this image.*

*Thunder in the middle of the lake indicates times of darkness and rest. Similarly, a superior man, after being tirelessly active all day, allows himself rest and recuperation at night. No situation can become favorable until one is able to adapt to it and does not wear himself out with mistaken resistance.*

## **Mattel Inc. MAT under CEO Robert A. Eckert**

Robert A. Eckert's Performance:	ROI= 113.19%	Annualized Return= 7.65%
SPY's Performance:	ROI= (15.24%)	Annualized Return= (1.43%)

Robert A. Eckert became CEO in May of 2000.

Since then, he has been able to substantially outperform the SPY; however, he did have some difficulties from 2000 to 2009 and he has done very well since 2009 till today.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future. His new hexagram is Inner Truth.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

*Nine at the beginning means:  
Being prepared brings good fortune.  
If there are secret designs, it is disquieting.*

*The force of inner truth depends chiefly on inner stability and preparedness. From this state of mind springs the correct attitude toward the outer world. But if a man should try to cultivate secret relationships of a special sort, it would deprive him of his inner independence. The more reliance he places on the support of others, the more uneasy and anxious he will become as to whether these secret ties are really tenable. In this way inner peace and the force of inner truth are lost.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 59 – Huan - Dispersion (Dissolution)*

*Wind blowing over water disperses it, dissolving it into foam and mist. This suggests that when a man's vital energy is dammed up within him (indicated as a danger by the attribute of the lower trigram), gentleness serves to break up and dissolve the blockage.*

#### *THE JUDGMENT*

*Dispersion,  
Success.  
The king approaches his temple.  
It furthers one to cross the great water.  
Perseverance furthers.*

*The text of this hexagram resembles that of Ts'ui, GATHERING TOGETHER (45). In the latter, the subject is the bringing together of elements that have been separated, as water collects in lakes upon the earth. Here the subject is the dispersing and dissolving of divisive egotism. DISPERSION shows the way, so to speak, that leads to gathering together. This explains the similarity of the two texts.*

*Religious forces are needed to overcome the egotism that divides men. The common celebration of the great sacrificial feasts and sacred rites, which gave expression simultaneously to the interrelation and social articulation of family and state, was the means employed by the great rulers to unite men. The sacred music and the splendor of the ceremonies aroused a strong tide of emotion that was shared by all hearts in unison, and that awakened a consciousness of the common origin of all creatures. In this way disunity was overcome and rigidity dissolved. A further means to the same end is cooperation in great general undertakings that set a high goal for the will of the people; in the common concentration on this goal, all barriers dissolve, just as, when a boat is crossing a great stream, all hands must unite in a joint task.*

*But only a man who is himself free of all selfish ulterior considerations, and who perseveres in justice and steadfastness, is capable of so dissolving the hardness of egotism.*

### *THE IMAGE*

*The wind drives over the water: The image of DISPERSION.  
Thus the kings of old sacrificed to the Lord  
And built temples.*

*In the autumn and winter, water begins to freeze into ice. When the warm breezes of spring come, the rigidity is dissolved, and the elements that have been dispersed in ice floes are reunited. It is the same with the minds of the people. Through hardness and selfishness the heart grows rigid, and this rigidity leads to separation from all others. Egotism and cupidity isolate men. Therefore the hearts of men must be seized by a devout emotion. They must be shaken by a religious awe in face of eternity - stirred with an intuition of the One Creator of all living beings, and united through the strong feeling of fellowship experienced in the ritual of divine worship.*

## **62 PREPONDERANCE OF THE SMALL**

### **MANAGERIAL ISSUE:**

The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives.

Hexagram 62 describes the wrong CEO, in the wrong position, surrounded by the wrong executives, dealing with a job for which he is not prepared. The I Ching warns the CEO that the present circumstances have come about by the "*demands of the time*" rather than by his own choice.

### **MANAGERIAL LESSON:**

The **NOT SUPERIOR CEO** should:

- 1) Be prudent. When the CEO is Superior and strong, and surrounded by a team of strong executives such as when Jack Welch was CEO of GE, he need not be that prudent. When the CEO and the executives are all strong, they compete against each other creating a condition where everyone adds value to the development of all the corporation's divisions. In this Hexagram, conditions require of the CEO's prudence because this case is quite the contrary. This is the case of a weak CEO surrounded by weak executives:

The I Ching says: "*If a man occupies a position of authority for which he is by nature really inadequate, extraordinary prudence is necessary.*"

- 2) Accept he cannot accomplish great tasks. A CEO who is not adequate for the job should try small tasks. The I Ching advises the NOT SUPERIOR CEO that not doing could be much more beneficial than trying to do something that might go wrong because he would not know how to fix it.
- 3) Be humble. Humility is always the key to the CEO's success particularly when he is not the right man for the job. Humility will lead him to seek good advice from both professionals and strong executives to make him look good in the eyes of the shareholders. But the I Ching warns the CEO that such humility must be accompanied by a "*correct dignity in personal behavior*". It is bad enough to be the wrong CEO for the company, but it is even worst to be perceived as a man without character or even worst still, as a clown.
- 4) Be aware at all times he is inadequate for the job. This attitude will keep him from overreaching. This is good advice because even if he surrounds himself with talented people, he should not strive for very high goals. He will not achieve them because he is missing the necessary greatness of great CEOs to achieve high goals. In the end, the same talented executives who helped him achieve high goals will recognize his weakness and drive him out of his job.



- 5) Be extremely careful with his words and his actions. Because he is perceived as inadequate for the job, every move he makes will be closely watched to look for errors. His position of privilege and his high place give him a unique place of responsibility. His high position creates resonance. Thus in a world of instant communications with Internet, satellites, or TV, every word the CEO says will be heard by everyone around the world. Because the whole world is watching and sharing through Social Networks, the I Ching recommends the CEO should:
- a) Pay attention to duty even if this might seem petty. The investors have a high regard for CEOs who show a high sense of duty.
  - b) Be very much aware of his actions. To act or to speak on automatic pilot will surely lead him to make grave mistakes. If he meditates on what he is going to say or do before he says it, or does it, then he will make fewer mistakes. An expert in public speaking should always review the CEO's speeches well before delivery.
  - c) Look for the essence rather than the superficial. It is more important to know what really lies in the hearts of his workers, consumers and shareholders. In this way, no flattery coming from his closest advisors will ever mislead him. And
  - d) Be "*simple and unpretentious in all personal expenditures*"

All of these recommendations will make the NOT SUPERIOR CEO "appear" as an outstanding executive in the eyes of others. He will appear as the perfect CEO who shows a sense of reverence, and thrift. Even though appear is not the same as real, the message is that a NOT SUPERIOR CEO can improve during the Preponderance of the Small if he imitates a Superior CEO.

The advice might seem complicated, yet in essence it is the same advice the I Ching repeats again and again like a mantra for the Superior as well as for the Not Superior CEO - humility, humility, humility.

## **INVESTMENT ADVICE:**

For the investor, the Preponderance of the Small represents in general terms an unfavorable Time-Space to invest. Few CEOs can manage under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives.

By itself (no lines) the Time-Space points to Good Fortune provided the CEO executes small projects only:

### *PREPONDERANCE OF THE SMALL.*

*Success.*

*Perseverance furthers.*

- *Small things may be done;*
- *great things should not be done.*

*The flying bird brings the message:*

- *It is not well to strive upward,*
- *It is well to remain below.*

*Great good fortune.*

*Exceptional modesty and conscientiousness are sure to be rewarded with success; however, if a man is not to throw himself away, it is important that they should not become empty form and subservience but be combined always with a correct dignity in personal behavior. We must understand the demands of the time in order to find the necessary offset for its deficiencies and damages. In any event we must not count on great success, since the requisite strength is lacking. In this lies the importance of the message that one should not strive after lofty things but hold to lowly things.*

*The structure of the hexagram gives rise to the idea that this message is brought by a bird. In Ta Kuo, PREPONDERANCE OF THE GREAT (28), the four strong, heavy lines within, supported only by two weak lines without, give the image of a sagging ridgepole. Here the supporting weak lines are both outside and preponderant; this gives the image of a soaring bird. But a bird should not try to surpass itself and fly into the sun; it should descend to the earth, where its nest is. In this way it gives the message conveyed by the hexagram.*

The lines, however, have no good possibilities. Two are very negative, one is negative and the rest are not positive enough to present an investment opportunity.

The following are cases of corporations under the Preponderance of the Small Time-Space:

- **Alcoa, Inc. AA under CEO Klaus Kleinfeld**
- **Yahoo! Inc. YHOO under CEO Carol A. Bartz**
- **Stericycle, Inc. SRCL under CEO Mark C. Miller**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives - when to make his move, when to stay put.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the first stage of the Preponderance of the Small Time-Space, the CEO must learn to accept the accepted corporate ways before attempting any changes.

**Managerial Advice:** The I Ching warns the CEO. he:

- Must go through a learning period.
- Should not make any changes, particularly drastic ones, at least until a few months after his original appointment date. This is particularly the case when the CEO does not represent the best fit for his corporation. To make his move without being properly prepared for it would be disastrous for the corporation.

- Should continue with the business-as-usual course. The new CEO is not prepared to deal with any drastic changes the corporation might require. This course of action would avoid waste of precious energy and corporate resources. It would be best to wait, listen, learn, get advice and formulate a proper plan.

**Investment advice:** Do not invest

### **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives - when to make exceptions to the rule.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the second stage of the Preponderance of the Small Time-Space, the CEO must show extraordinary restraint even though this might be a time to make exceptions.

**Managerial Advice:** The CEO who is in the wrong corporation at the wrong time should be very careful when making any sort of exception. Exceptions imply a certain element of danger. The I Ching advises the CEO there are two basic rules for making these exceptions: Humility, and Prudence. Any exception made with a sense of humility has a good chance of being successful. The same is the case of prudence - it is said that prudence is better than wisdom. CEO's must always be prudent but this must be specially the case when making exceptions.

**Investment advice:** Do not invest

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives - coping with the inevitable dangers caused by the seemingly harmless little problems.

**Managerial Lesson:** Be vigilant.

**Managerial Warning:** At the third stage of the Preponderance of the Small Time-Space, the CEO understands that the time demands that *“he pay special attention to small and insignificant things.”*

**Managerial Advice:** The I Ching warns the CEO one basic rule to follow is to accept that danger will always be present. One of the most common mistakes CEOs make is to feel contempt for danger thinking they are immune to it. Behind this attitude hides a lack of humility. And humility is the CEO's best friend. A lack of humility leads inevitably to a lack of preparedness, which, in turn, invites danger. Humility demands the CEO recognize and manage any kind of problem not matter how small it might appear to be, particularly in this case. After all, elephants don't bite, mosquitoes do.

**Investment advice:** Do not invest

## **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives - balancing the YANG attitude with the YIN attitude - when to yield and when to wait.

**Managerial Lesson:** Be flexible.

**Managerial Warning:** At the fourth stage of the Preponderance of the Small Time-Space, the CEO *“must be on guard and not act”*.

**Managerial Advice:** The I Ching warns the CEO this is a time for resistance to his initiatives - to act will lead to destruction and not to act will postpone progress. This is a no win situation. The I Ching recommends the CEO be prudent and soften his position. This is not the time to overcome resistance by sheer will power. A strictly YANG attitude can only lead to the CEO's destruction of the corporation. He may however, continue to be mentally and spiritually YANG in managing corporate issues, but in the outside he must combine it with a yielding YIN attitude. Not to do is as important as doing.

**Investment advice:** Do not invest

## **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO in the wrong position, with the wrong executives – the capable CEO in exceptional times.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the fifth stage of the Preponderance of the Small Time-Space, the CEO is capable but is alone and without qualified advisors. He is no longer acting on his own will but rather pushed by other forces that keep him from increasing revenues.

**Managerial Advice:** The I Ching advises the CEO of the utmost need to find able and talented executives to help him execute his bright ideas. Even the brightest of the CEOs cannot carry out important goals without the support of able and talented men. His primary goal must be to surround himself with capable men. The issue is how to find them. The I Ching warns the CEO that those talented men who can help him will not be easily found because they have retired from the world. The only way to bring them in is with humility. Humility attracts humility. A humble CEO will attract humble helpers not matter how retired they might be from the world. Good men respond to humble leaders

**Investment advice:** Do not invest

## **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing under the Preponderance of the Small - when he is the wrong CEO, in the wrong position, with the wrong executives - knowing when to stop upon reaching a goal.

**Managerial Lesson:** Be disciplined.

**Managerial Warning:** At the sixth stage of the Preponderance of the Small Time-Space, the CEO risks falling into danger by not knowing when *to call a halt*.

**Managerial Advice:** The I Ching advises the CEO that to be successful he must know how to establish goals, how to reach them and how to stop once he has reached these goals. One of the greatest dangers CEOs face is the tendency to try and re-live their successes again and again. Professor Christianson is right when he says that successful CEOs keep on improving the same product even when their clients are asking for different products. While this CEO pays little attention to the disruptive technology that is undermining his corporation from below, there are other CEOs from competing corporations who are paying attention to their customers' demands by creating these same disruptive technologies. This CEO is exposed to danger and lacks the humility to deal with these dangers.

**Investment advice:** Do not invest.

## **MANAGERIAL CASES**

### **Alcoa, Inc. AA under CEO Klaus Kleinfeld**

Klaus Kleinfeld's Performance:	ROI= (30.41%)	Annualized Return= (20.68%)
SPY's Performance:	ROI= 5.24%	Annualized Return= 3.32%

Klaus Kleinfeld became CEO of Alcoa in April of 2010.

Even though it is relatively early to comment on his performance, it is obvious that, since his appointment, he has not been able to outperform the SPY.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 62 - Hsiao Kuo - Preponderance of the Small*

While in the hexagram *Ta Kuo*, PREPONDERANCE OF THE GREAT (28), the strong lines preponderate and are within inclosed between weak lines at the top and bottom, the present hexagram has weak lines preponderating, though here again they are on the outside, the strong lines being within. This indeed is the basis of the exceptional situation indicated by the hexagram. When strong lines are outside, we have the hexagram I, PROVIDING NOURISHMENT (27), or *Chung Fu*, INNER TRUTH (61); neither represents an exceptional state. When strong elements within preponderate, they necessarily enforce their will. This creates struggle and exceptional conditions in general. But in the present hexagram it is the weak element that perforce must mediate with the outside world. If a man occupies a position of authority for which he is by nature really inadequate, extraordinary prudence is necessary.

## THE JUDGMENT

### PREPONDERANCE OF THE SMALL.

Success.

Perseverance furthers.

Small things may be done; great things should not be done.

The flying bird brings the message:

It is not well to strive upward,

It is well to remain below.

Great good fortune.

Exceptional modesty and conscientiousness are sure to be rewarded with success; however, if a man is not to throw himself away, it is important that they should not become empty form and subservience but be combined always with a correct dignity in personal behavior. We must understand the demands of the time in order to find the necessary offset for its deficiencies and damages. In any event we must not count on great success, since the requisite strength is lacking. In this lies the importance of the message that one should not strive after lofty things but hold to lowly things.

The structure of the hexagram gives rise to the idea that this message is brought by a bird. In *Ta Kuo*, PREPONDERANCE OF THE GREAT (28), the four strong, heavy lines within, supported only by two weak lines without, give the image of a sagging ridgepole. Here the supporting weak lines are both outside and preponderant; this gives the image of a soaring bird. But a bird should not try to surpass itself and fly into the sun; it should descend to the earth, where its nest is. In this way it gives the message conveyed by the hexagram.

## 2) THE ADVICE

Thunder on the mountain: The image of PREPONDERANCE OF THE SMALL.

Thus in his conduct the superior man gives preponderance to reverence.

In bereavement he gives preponderance to grief.

In his expenditures he gives preponderance to thrift.

Thunder on the mountain is different from thunder on the plain. In the mountains, thunder seems much nearer; outside the mountains, it is less audible than the thunder of an ordinary storm. Thus the superior man derives an imperative from this image: he must always fix his eyes more closely and more directly on duty than does the ordinary man, even though this might make his behavior seem petty to the outside world. He is exceptionally conscientious in

his actions. In bereavement emotion means more to him than ceremoniousness. In all his personal expenditures he is extremely simple and unpretentious. In comparison with the man of the masses, all this makes him stand out as exceptional. But the essential significance of his attitude lies in the fact that in external matters he is on the side of the lowly.

### 3) THE LINES:

Six at the top means:

*He passes him by, not meeting him.*

*The flying bird leaves him.*

*Misfortune.*

*This means bad luck and injury.*

*If one overshoots the goal, one cannot hit it. If a bird will not come to its nest but flies higher and higher, it eventually falls into the hunter's net. He who in times of extraordinary salience of small things does not know how to call a halt, but restlessly seeks to press on and on, draws upon himself misfortune at the hands of gods and men, because he deviates from the order of nature.*

### 4) THE MOVING HEXAGRAM

HEXAGRAM 56 - Lu - The Wanderer

*The mountain, Ken, stands still; above it fire, Li, flames up and does not tarry. Therefore the two trigrams do not stay together. Strange lands and separation are the wanderer's lot.*

THE JUDGMENT

THE WANDERER.

*Success through smallness.*

*Perseverance brings good fortune*

*To the wanderer.*

*When a man is a wanderer and stranger, he should not be gruff nor overbearing. He has no large circle of acquaintances therefore he should not give himself airs. He must be cautious and reserved; in this way he protects himself from evil. If he is obliging toward others, he wins success.*

*A wanderer has no fixed abode; his home is the road. Therefore he must take care to remain upright and steadfast, so that he sojourns only in the proper places, associating only with good people. Then he has good fortune and can go his way unmolested.*

THE IMAGE

*Fire on the mountain: The image of THE WANDERER.*

*Thus the superior man*

*Is clear-minded and cautious*

*In imposing penalties,  
And protracts no lawsuits.*

*When grass on a mountain takes fire, there is bright light. However, the fire does not linger in one place, but travels on to new fuel. It is a phenomenon of short duration. This is what penalties and lawsuits should be like. They should be a quickly passing matter, and must not be dragged out indefinitely. Prisons ought to be places where people are lodged only temporarily, as guests are. They must not become dwelling places.*

## **Yahoo! Inc. YHOO under CEO Carol A. Bartz**

Carol Bartz's Performance:	ROI= 12.68%	Annualized Return= 4.56%
SPY's Performance:	ROI= 24.70%	Annualized Return= 8.59%

Carol A. Bartz became CEO of Yahoo in January of 2009 and left in September of 2011.

In that short period of time she was not able to outperform the SPY and was fired by the BOD. Her Time-Space of the Preponderance of the Small was extremely difficult for her to manage.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

(Same as Above).

#### **2) THE ADVICE**

(Same as Above).

#### **3) THE LINES:**

Six at the beginning means:

*The bird meets with misfortune through flying.*

*A bird ought to remain in the nest until it is fledged. If it tries to fly before this, it invites misfortune. Extraordinary measures should be resorted to only when all else fails. At first we ought to put up with traditional ways as long as possible; otherwise we exhaust ourselves and our energy and still achieve nothing.*



#### **4) THE MOVING HEXAGRAM**

HEXAGRAM 55 – Feng - Abundance (Fullness)

*Chen is movement; Li is flame, whose attribute is clarity. Clarity within, movement without - this produces greatness and abundance. The hexagram pictures a period of advanced civilization. However, the fact that development has reached a peak suggests that this extraordinary condition of abundance cannot be maintained permanently.*

#### **THE JUDGMENT**

*ABUNDANCE has success.  
The king attains abundance.  
Be not sad.  
Be like the sun at midday.*

*It is not given to every mortal to bring about a time of outstanding greatness and abundance. Only a born ruler of men is able to do it, because his will is directed to what is great. Such a time of abundance is usually brief. Therefore a sage might well feel sad in view of the decline that must follow. But such sadness does not befit him. Only a man who is inwardly free of sorrow and care can lead in a time of abundance. He must be like the sun at midday, illuminating and gladdening everything under heaven.*

#### **THE IMAGE**

*Both thunder and lightning come: The image of ABUNDANCE.  
Thus the superior man decides lawsuits  
And carries out punishments.*

*This hexagram has a certain connection with Shih Ho, BITING THROUGH (21), in which thunder and lightning similarly appear together, but in the reverse order. In BITING THROUGH, laws are laid down; here they are applied and enforced. Clarity [Li] within makes it possible to investigate the facts exactly, and shock [Chen] without ensures a strict and precise carrying out of punishments.*

### **Stericycle, Inc. SRCL under CEO Mark C. Miller**

Mark Miller's Performance:	ROI= 3,024.16%	Annualized Return= 19.31%
SPY's Performance:	ROI= 58.10%	Annualized Return= 2.38%

Mark C. Miller became CEO of Stericycle in May of 1992.

Since then, he has been able to outperform the SPY many times over proving he is a Superior CEO.

However, because he has been CEO for almost two decades, we asked of the Oracle once more about his future Time Space which is the Preponderance of the Small.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

(Same as Above).

### **2) THE ADVICE**

(Same as Above).

### **3) THE LINES:**

Six in the fifth place means:

*Dense clouds,*

*No rain from our western territory.*

*The prince shoots and hits him who is in the cave.*

*As a high place is pictured here, the image of a flying bird has become that of flying clouds. But dense as the clouds are, they race across the sky and give no rain. Similarly, in exceptional times there may be a born ruler who is qualified to set the world in order, but who cannot achieve anything or confer blessing on the people because he stands alone and has no helpers. In such times a man must seek out helpers with whose aid he can carry out the task. But these helpers must be modestly sought out in the retirement to which they have withdrawn. It is not their fame nor their great names but their genuine achievements that are important. Through such modesty the right man is found, and the exceptional task is carried out in spite of all difficulties.*

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 31 – Hsien - Influence ( Wooing)*

*The name of the hexagram means "universal," "general," and in a figurative sense "to influence," "to stimulate." The upper trigram is Tui, the Joyous; the lower is Ken, Keeping Still. By its persistent, quiet influence, the lower, rigid trigram stimulates the upper, weak trigram, which responds to this stimulation cheerfully and joyously. Ken, the lower trigram, is the youngest son; the upper, Tui, is the youngest daughter. Thus the universal mutual attraction between the sexes is represented. In courtship, the masculine principle must seize the initiative and place itself below the feminine principle.*

*Just as the first part of book I begins with the hexagrams of heaven and earth, the foundations of all that exists, the second part begins with the hexagrams of courtship and marriage, the foundations of all social relationships.*

## THE JUDGMENT

*Influence.*

*Success.*

*Perseverance furthers.*

*To take a maiden to wife brings good fortune.*

*The weak element is above, the strong below; hence their powers attract each other, so that they unite. This brings about success, for all success depends on the effect of mutual attraction. By keeping still within while experiencing joy without, one can prevent the joy from going to excess and hold it within proper bounds. This is the meaning of the added admonition, "Perseverance furthers," for it is perseverance that makes the difference between seduction and courtship; in the latter the strong man takes a position inferior to that of the weak girl and shows consideration for her. This attraction between affinities is a general law of nature. Heaven and earth attract each other and thus all creatures come into being. Through such attraction the sage influences men's hearts, and thus the world attains peace. From the attractions they exert we can learn the nature of all beings in heaven and on earth.*

## THE IMAGE

*A lake on the mountain: The image of influence.*

*Thus the superior man encourages people to approach him*

*By his readiness to receive them.*

*A mountain with a lake on its summit is stimulated by the moisture from the lake. It has this advantage because its summit does not jut out as a peak but is sunken. The image counsels that the mind should be kept humble and free, so that it may remain receptive to good advice. People soon give up counseling a man who thinks that he knows everything better than anyone else.*

## **63 AFTER COMPLETION**

### **MANAGERIAL ISSUE:**

The CEO - managing the corporation after completing its highest goals or reaching an almost perfect equilibrium. Managing to keep the number 1 position, to stay on top.

The CEO has Heaven's mandate to complete the main thrust of the project except for some minor details. What is important is for the CEO to maintain the right attitude; however, because the CEO has the Mandate of Heaven, he will be tempted to not worry about the details. If he stops paying attention to the details, it will mean his attitude has changed to indifference and he will deliberately ignore the details. Because of indifference, he will send the corporation back into a Yin cycle.

The Proper attitude is:

- *the superior man*
  - *Takes thought of misfortune And*
  - *arms himself against it in advance.*

*In life too there are junctures when all forces are in balance and work in harmony, so that everything seems to be in the best of order. In such times*

- *only the sage*
  - *recognizes the moments that bode danger and*
  - *knows how to banish it by means of timely precautions.*

Hexagram 63 describes a number of possible conditions:

- The CEO has brought the corporation to the number 1 position in the industry, to its highest revenues and earnings ever.
- The corporation has completed a YANG to YIN cycle and it is back to its YANG cycle. It has successfully completed its restructuring process.
- The corporation has kept only its bestselling products as well as its best employees and has regained its sense of accomplishment after a long battle with its competitors.
- The CEO has brought the corporation to an apparently "perfect equilibrium".

However, Heaven does not allow "perfect equilibriums" to last for long. From now on the CEO must face his worst enemy: himself.

### **MANAGERIAL LESSON:**

The Superior CEO knows:

- 1) It is very hard to stay on top for long. The corporation is at its greatest danger after its CEO has turned it into the leader in the industry.
- 2) Indifference is the main reason why CEOs fail to keep their corporation on top. The Superior CEO is very much aware there are two dangers he must face:

- a) Re-living its triumphs over and over again, improving their product ad nauseam rather than creating a new one. That is, facing the CEO's eternal dilemma: choosing between allocating resources for sustaining technologies or allocating them for disruptive technologies. And,
  - b) Bloating over its success. The Superior CEO knows he must be humble about his successes. For Microsoft to have copied the Explorer from Netscape is no reason to be proud; but worse still, to have used its almost monopolistic position and distribution capacity to keep its competitors out of the market and then to openly bloat about its success was a classic case of adding insult to injury, and worthy of severe penalties. Heaven is punishing them (Google) as its performance during the last decade shows.
- 3) Most CEOs are tempted to feel the morbid pleasure of contemplating past successes. Therein lies the beginning of the end. Indifference is common once the CEO is on top. Behind indifference lies pride, the mother of all evils. When the corporation holds the number one position, its personnel tends to feel a little too proud for their own good. This is particularly the case of its CEO. The CEO will eventually let success go to his head. He will let down his guard, forget his eye for detail (genius is detail), and tend to let things run on automatic pilot. This is an ideal condition for a new negative YANG to YIN cycle to start. It could also be a case for new and disruptive technologies to undermine its number one position. Hence the I Ching says that "*at a time of climax*", the CEO needs the utmost caution.
- 4) He must always accept and support change. Disruptive technologies brought him to the top and disruptive technologies will continue to keep him on top. The danger to the CEO and his corporation lies in shutting himself out to changes rather than to continuously look for future new technologies.
- 5) He must live with the knowledge that:
- a) The probabilities corporations will lose their number one position are very high. And,
  - b) The corporation needs not lose its number one spot provided the CEO's attitude is the right one – mainly if he shows perseverance and caution.
- 6) This is one of the most important lessons for a CEO. The CEO of a corporation which is the leader of the industry knows that when the corporation holds the number one position, it is usually because the CEO has created an almost perfect balance between the YANG and YIN elements within the corporation. But such a balance is extremely difficult to maintain, especially when there are other companies chasing after the number one position. Therefore it is imperative for the successful CEO to constantly look for dangers upon reaching the top. Indeed, there is some truth to Andy Groves' concept that only the paranoid survive.
- 7) His ability to maintain a creative tension within the corporation is both what has made him successful as well as what should make him cautious. The I Ching wisely compares creative tension to creating energy with steam. That is, keeping a proper balance between opposites: boiling the water over which would kill the fire and maintaining the right amount of heat to avoid evaporation. In both extreme cases energy would be lost. In the same way, the CEO's success depends on his ability to properly balance forces holding opposite points of view. That is why the I Ching advises the CEO of the need for permanent caution.

## **INVESTMENT ADVICE:**

For the investor, the After Completion represents in general terms an unfavorable Time-Space to invest.

By itself (no lines), the Time-Space points to Good Fortune in small things provided the CEO maintains the proper attitude.

### **AFTER COMPLETION.**

*Success in small matters.*

*Perseverance furthers.*

- *At the beginning good fortune,*
- *At the end disorder.*

*The transition from the old to the new time is already accomplished. In principle, everything stands systematized, and it is only in regard to details that success is still to be achieved. In respect to this, however, we must be careful to maintain the right attitude. Everything proceeds as if of its own accord, and this can all too easily tempt us to relax and let things take their course without troubling over details. Such indifference is the root of all evil. Symptoms of decay are bound to be the result. Here we have the rule indicating the usual course of history. But this rule is not an inescapable law. He who understands it is in position to avoid its effects by dint of unremitting perseverance and caution.*

The lines, however, present no good possibilities to invest: There is one line which is very negative and points to Danger (in the sixth place) and the rest are neither negative nor positive. Therefore, not one is positive enough to present an investment opportunity.

The following are cases of corporations under the After Completion Time-Space:

- **American International Group AIG under CEO Robert Benmosche's**

(Read at the end of the Hexagram)

## **THE LINES**

### **NINE IN THE FIRST PLACE**

**Managerial Issue:** The CEO – managing the After-Completion period at its beginning.

**Managerial Lesson:** Be focused.

**Managerial Warning:** At the first stage of the After Completion, the CEO “*does not allow himself to be infected by the general intoxication but checks his course in time*”.

**Managerial Advice:** The Superior CEO recognizes when the corporation is caught in a period of tremendous changes. This period could be compared to the birth of a new industry such as the PC industry, the software industry or the Internet-based industry. In the beginning there are constant changes in the industry's leadership, with new economy as well as old-economy corporations entering the market to compete against each other.

The Superior CEO knows that:

- Those CEO's who try to take the lead quickly do not necessarily become the ultimate leader. Such was the case of Microsoft. In a long distance race, the leadership position will change many times.
- Once he perceives the industry's mad rush to produce a new product or to enter into a completely new industrial shift, his best course of action is to stop and save his corporation for another day. Even if the expense to enter the industry was great, he can still save his corporation if he withdraws in time. Others might be successful in this new industry, but not his corporation. The CEO saves his corporation by continuing to do what he does best, rather than entering an industry where he will not make it.

**Investment advice:** Do not invest

## **SIX IN THE SECOND PLACE**

**Managerial Issue:** The CEO – managing the After-Completion period at its very beginning - supporting YANG changes even when his clients will only support his YIN changes.

**Managerial Lesson:** Be honest.

**Managerial Warning:** At the second stage of the After Completion, the I Ching warns the CEO: *“do not throw yourself (the corporation) away on the world, but wait tranquilly and develop your (the corporation's) personal worth by your own efforts”.*

**Managerial Advice:** The Superior CEO knows there are two kinds of changes:

- YANG changes are strong changes based on disruptive technologies, which usher in new radical changes. They are usually resisted both by management (who feels threatened) as well as by clients (who ignore and fear the future waves of change). YANG changes might seem insignificant in the beginning but in the end are very profitable.
- YIN changes are superficial changes made to the same old product but in essence they are more of the same. They might seem as the right changes because they are very much liked by management as well as by the most traditional clients. They initially are profitable but in the end they lead the corporation to its eventual destruction. Pride and arrogance will lead the CEO to support YIN changes and to distance himself from those within the firm who promote the YANG changes.

The CEO faces a dilemma. Whether to support YANG changes and face the anger of traditional clients and even the eventual loss of market share, or to support YIN changes to please the traditional clients and eventually risk losing the corporation. This is particularly the case when the corporation holds the number one place. Pride and arrogance will lead the CEO

to support YIN changes and to distance himself from those within the firm who promote the YANG changes.

The Superior CEO is always true to his own self and will always push his executives to develop YANG changes because his quest is to always try and make products “cheaper, faster, and better”. It is better to push future unknown but tremendously profitable products and markets, than to try and maintain an eventually dying product and market niche not matter how profitable it might be at the present time. The I Ching says: *“Do not seek it.”*

**Investment advice:** Do not invest

### **NINE IN THE THIRD PLACE**

**Managerial Issue:** The CEO – managing the After-Completion period – when he has achieved victory.

**Managerial Lesson:** Be just.

**Managerial Warning:** At the third stage of the After Completion, the CEO must:

- Manage the Pax period that comes once he has brought his corporation to the leadership position. Just as when empires reached their leadership positions, there arose a calm created by their overall dominance, such as the Pax Romana, Pax Britannica or Pax Americana, there also arises a period of apparent industrial tranquility when a corporation reaches a strong and dominant position, such as the Pax of General Electric, IBM, Microsoft, Cisco, EMC, Oracle. The key word here is "apparent".
- Manage correctly the *“colonial policy”*.

**Managerial Advice:** The Superior CEO knows that:

- He must manage both:
  - *“the urge to expand, and*
  - *its accompanying dangers, which is part and parcel of every ambitious undertaking”.*
- If he manages to conquer a new market or even another corporation, he must see to it that only the best managers are sent over to manage the conquered territory.
- He must face the dangers associated with the expansion period that comes After Completing the goals, after conquering the market.
- The secret to keeping the leadership position lies in establishing a proper "colonial" policy. This was applicable to empires and continues to be applicable to corporations. When a corporation goes on a buying spree to dominate the industry, such as Conesco, Cisco or Microsoft, the danger lies in having a poor colonial policy based on pride and arrogance which rewards evil and punishes the good rather than rewarding the good and punishing evil. Just as Romans, Spaniards, Portuguese, and British would send criminals to populate a conquered territory with disastrous consequences, the same would be the result if a CEO were to send its less talented executives to run a recently acquired corporation.

The I Ching says: *“The territory won at such bitter cost must not be regarded as an almshouse for people who in one way or another have made themselves impossible at home, but who are thought to be quite good enough for the colonies”.*



Did Cabletron send those who had “made themselves impossible at home” to run U.S. Robotics? Did their behavior force the engineers who developed the Palm Pilot at U.S. Robotics to leave and create their own company, Handspring?

The CEO must send his best executives to work closely with the best executives of the recently acquired corporation. No one could possibly imagine Jack Welch sending his worst executives to run Honeywell had he conquered it.

This is the perfect advice for Larry Ellison of Oracle and his insatiable desire for conquest:

*After times of completion, when a new power has arisen and everything within the country has been set in order,*

- *a period of colonial expansion almost inevitably follows.*

*Then as a rule*

- *long-drawn-out struggles must be reckoned with.*

*For this reason,*

- *a correct colonial policy is especially important.*
- *The territory won at such bitter cost must not be regarded as an almshouse for people*
  - *who in one way or another have made themselves impossible at home, but*
  - *who are thought to be quite good enough for the colonies.*

*Such a policy*

- *ruins at the outset any chance of success.*
- *This holds true in small as well as in large matters, because*
  - *it is not only rising states that carry on a colonial policy;*
  - *the urge to expand, with its accompanying dangers, is part and parcel of every ambitious undertaking.*

**Investment advice:** Do not invest

## **SIX IN THE FOURTH PLACE**

**Managerial Issue:** The CEO – managing the After-Completion period - the first crack comes from within.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the fourth stage of the After Completion, the CEO uncovers “*a hidden evil within*” the corporation.

**Managerial Advice:** The Superior CEO prepares for the first sign of evil practices to appear within the corporation. To him, even the smallest sign of evil requires his attention. He knows that when he holds the leadership position, he must be prepared to face challenges to his position. Such challenges will be few in the beginning and will also start from within the corporation. Great corporations much like great empires fall due to internal rather than external threats. Even though this might not happen frequently, it is a red flag and the CEO must act upon it quickly. In this line and at least for now, there is no new immediate danger. However, to

keep his corporation in the leading industry's position he must recognize the danger and correct it quickly and forcefully.

In many ways this is the line of Microsoft and how it faced the threat from Netscape. Bill Gates must be given credit for acting quickly and forcefully, perhaps too forcefully once he realized Netscape's threat. Microsoft's mistake, however, was born out of the arrogance and contempt which is always born out of fear of an upstart such as Netscape. Microsoft's viciousness in meeting Netscape's challenge was an act of pride, the CEO's worst enemy.

**Investment advice:** Do not invest

### **NINE IN THE FIFTH PLACE**

**Managerial Issue:** The CEO – managing the After-Completion - going back to basics.

**Managerial Lesson:** Be passionate.

**Managerial Warning:** At the fifth stage of the After Completion, the CEO risks allowing his success to turn him into the classic pompous CEO.

**Managerial Advice:** The Superior CEO is on the lookout for those attitudes that threaten the corporation's passion, the same passion that brought it to the top. This passion, the engine of success, is in danger of disappearing. While the original passion created a winning attitude based on humility and simplicity now pride and pomposity are threatening their leading position.

The basements where Jobs, Gates, Ellis, Dell, used to make their dreams come true, are replaced by fancy offices. The simple ideas that were so easily discussed over a cup of coffee in the nearest coffee shop must now be discussed in a fancy boardroom. Such fancy, ornamental and superficial surroundings might be forgiven and even acceptable provided the CEOs maintain their focus on their heart. But now their focus has shifted its attention to the comfort of the body. The elaborateness of religion has replaced the beauty of spirituality. This is the beginning of the fall.

Meanwhile there is another young man in another basement making his dreams come true, flaming his passion, focusing on his inner vision, paying attention to his heart rather than to the comfort of his body and dreaming about becoming number one. Chances are he will.

The I Ching recommends the CEO to pay strict attention to his heart, to keep it simple, to be Spartan, to avoid elaborate pomposity, and, above all else, to be humble.

**Investment advice:** Do not invest

### **SIX IN THE SIXTH PLACE**

**Managerial Issue:** The CEO – managing the After-Completion - managing pride at its worst.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the sixth stage of the After Completion, the CEO risks reliving the past glories.

**Managerial Advice:** The Superior CEO faces two dangers:

- a) Re-living the corporate triumphs over and over again, improving the same corporate product ad nauseam rather than creating a new one. That is, facing the CEO's eternal dilemma: choosing between allocating resources for sustaining technologies or for disruptive technologies. And
- b) Bloating over its success. The Superior CEO is humble about the corporate successes. For Microsoft to have developed the Explorer is worthy of praise, but to have used its almost monopolistic position to keep its competitors out of the market and then to openly bloat about its success was a classic case of adding insult to injury, and worthy of severe penalties.

Repeating from the Managerial Lesson above:

The CEO must live in the NOW rather than the past; however most CEOs are tempted to feel the morbid pleasure of contemplating past successes. Therein lays the beginning of the end. Indifference is common once the CEO is on top. Behind indifference lies pride, the mother of all evils. When the corporation holds the number one position, its personnel tends to feel a little too proud for their own good. This is particularly the case for its CEO. The CEO will eventually let success go to his head. He will let down his guard, forget his eye for detail (genius is detail), and tend to let things run on automatic pilot. This is an ideal condition for a new negative YANG to YIN cycle. It could also be a case for new and disruptive technologies to undermine its number one position. Hence the I Ching says that "*at a time of climax*", the CEO needs the utmost caution.

The I Ching advises the CEO to always accept and support change. Disruptive technologies brought him to the top and disruptive technologies will continue to keep him on top. The danger to the CEO and his corporation lies in shutting himself out to changes rather than continuously look to the future for new technologies.

**Investment advice:** Do not invest

## MANAGERIAL CASES

### **American International Group AIG under CEO Robert Benmosche**

Robert Benmosch's Performance:	ROI= 84.85%	Annualized Return= 31.81%
SPY's Performance:	ROI= 24.94%	Annualized Return= 10.53%

Robert Benmosche became CEO of American International Group in August of 2009.

Since his appointment, he has been able to outperform the SPY. Even though he is a talented and an experienced executive, there are two qualifiers the investor should keep in mind:

- He has received substantial help from the US government.
- His performance since the beginning of 2011 compared to the SPY has been poor.

## **Points the investor should consider:**

### **1) THE HEXAGRAM**

*HEXAGRAM 63 - Chi Chi - After Completion*

*This hexagram is the evolution of T'ai, PEACE (11). The transition from confusion to order is completed, and everything is in its proper place even in particulars. The strong lines are in the strong places, the weak lines in the weak places. This is a very favorable outlook, yet it gives reason for thought. For it is just when perfect equilibrium has been reached that any movement may cause order to revert to disorder. The one strong line that has moved to the top, thus effecting complete order in details, is followed by the other lines, each moving according to its nature, and thus suddenly there arises again the hexagram P'i, STANDSTILL (12).*

*Hence the present hexagram indicates the conditions of a time of climax, which necessitate the utmost caution.*

*THE JUDGMENT*

*AFTER COMPLETION.*

*Success in small matters.*

*Perseverance furthers.*

*At the beginning good fortune,*

*At the end disorder.*

*The transition from the old to the new time is already accomplished. In principle, everything stands systematized, and it is only in regard to details that success is still to be achieved. In respect to this, however, we must be careful to maintain the right attitude. Everything proceeds as if of its own accord, and this can all too easily tempt us to relax and let things take their course without troubling over details. Such indifference is the root of all evil. Symptoms of decay are bound to be the result. Here we have the rule indicating the usual course of history. But this rule is not an inescapable law. He who understands it is in position to avoid its effects by dint of unremitting perseverance and caution.*

### **2) THE ADVICE**

*Water over fire: the image of the condition*

*In AFTER COMPLETION.*

*Thus the superior man*

*Takes thought of misfortune*

*And arms himself against it in advance.*

*When water in a kettle hangs over fire, the two elements stand in relation and thus generate energy (cf. the production of steam). But the resulting tension demands caution. If the water boils over, the fire is extinguished and its energy is lost. If the heat is too great, the water evaporates into the air. These elements here brought into relation and thus generating energy are by nature hostile to each other. Only the most extreme caution can prevent damage. In life too there are junctures when all forces are in balance and work in harmony, so that everything seems to be in the best of order. In such times only the sage recognizes the moments that bode danger and knows how to banish it by means of timely precautions.*

### **3) THE LINES:**

*Six in the second place means:*

*The woman loses the curtain of her carriage.*

*Do not run after it;*

*On the seventh day you will get it.*

*When a woman drove out in her carriage, she had a curtain that hid her from the glances of the curious. It was regarded as a breach of propriety to drive on if this curtain was lost. Applied to public life, this means that a man who wants to achieve something is not receiving that confidence of the authorities which he needs, so to speak, for his personal protection. Especially in times "after completion" it may happen that those who have come to power grow arrogant and conceited and no longer trouble themselves about fostering new talent.*

*This as a rule results in office seeking. If a man's superiors withhold their trust from him, he will seek ways and means of getting it and of drawing attention to himself. We are warned against such an unworthy procedure: "Do not seek it." Do not throw yourself away on the world, but wait tranquilly and develop your personal worth by your own efforts. Times change. When the six stages of the hexagram have passed, the new era dawns. That which is a man's own cannot be permanently lost. It comes to him of its own accord. He need only be able to wait.*

1. [Wu Ting reigned from 1324 to 1266 B.C.]

### **4) THE MOVING HEXAGRAM**

*HEXAGRAM 05 – Hsu - Waiting (Nourishment)*

*All beings have need of nourishment from above. But the gift of food comes in its own time, and for this one must wait. This hexagram shows the clouds in the heavens, giving rain to refresh all that grows and to provide mankind with food and drink. The rain will come in its own time. We cannot make it come; we have to wait for it. The idea of waiting is further suggested by the attributes of the two trigrams - strength within, danger in front. 2 Strength in the face of danger does not plunge ahead but bides its time, whereas weakness in the face of danger grows agitated and has not the patience to wait.*

**THE JUDGMENT**

*WAITING. If you are sincere,  
You have light and success.  
Perseverance brings good fortune.  
It furthers one to cross the great water.*

*Waiting is not mere empty hoping. It has the inner certainty of reaching the goal. Such certainty alone gives that light which leads to success. This leads to the perseverance that brings good fortune and bestows power to cross the great water.*

*One is faced with a danger that has to be overcome. Weakness and impatience can do nothing. Only a strong man can stand up to his fate, for his inner security enables him to endure to the end. This strength shows itself in uncompromising truthfulness (with himself). It is only when we have the courage to face things exactly as they are, without any sort of self-deception or illusion, that a light will develop out of events, by which the path to success may be recognized. This recognition must be followed by resolute and persevering action. For only the man who goes to meet his fate resolutely is equipped to deal with it adequately. Then he will be able to cross the great water - that is to say, he will be capable of making the necessary decision and of surmounting the danger.*

#### *THE IMAGE*

*Clouds rise up to heaven: The image of WAITING.  
Thus the superior man eats and drinks,  
Is joyous and of good cheer.*

*When clouds rise in the sky, it is a sign that it will rain. There is nothing to do but to wait until the rain falls. It is the same in life when destiny is at work. We should not worry and seek to shape the future by interfering in things before the time is ripe. We should quietly fortify the body with food and drink and the mind with gladness and good cheer. Fate comes when it will, and thus we are ready.*

1. *[In the German translation, this secondary name does not appear in bk. I. See P. 410)*
2. *[The upper trigram is considered to be in front of the lower. See P- 357)*

## **64 BEFORE COMPLETION**

### **MANAGERIAL ISSUE:**

The CEO - managing the corporate turnaround or transition from Yin to Yang.

Hexagram 64 advises the CEO to prepare to turn his corporation around under extremely difficult conditions, to practically bring it back from the brink. Hexagram 64 refers to the corporation's period of transition or turnaround, where the old YIN turns into the new YANG. This is the light at the end of the tunnel. This is the limit, which creates the balance. Neither the YANG nor the YIN can completely destroy the other. One may push the other to what would seem the edge, but the Universe has ordained that there be a limit to how much one can push the other. This Hexagram contains an important lesson for the CEO. It is a lesson of hope. He must keep the faith at all times, even when it would appear that everything is lost. It is said that the darkest moment is just before dawn. This is the case of Advanced Micro Devices, when Intel was about to destroy it.

While Hexagram 63 refers to a period in which summer turns to winter, Hexagram 64 refers to a period where winter turns to spring. The CEO faces the OLD YIN which is about to turn into a New YANG. This is usually one of the most difficult conditions.

The CEO's responsibility is such that the I Ching describes it as: *"nothing less than that of leading the world Out of confusion back to order."*

However, success is there, provided the CEO moves carefully: *"But it is a task that promises success, because there is a goal that can unite the forces now ending in different directions. At first, however, one must move warily, like an old fox walking over ice."*

Everything in this Universe, including corporations, is subject to the YANG/YIN cycle, regardless of time, space or matter. Nothing can escape it. The symbol YANG/YIN not only applies to the macrocosm but also to the microcosm. To find the solution to a problem, we must

- 1) Visualize the YIN/YANG symbol,
- 2) Ascertain which of the eight YIN/YANG elements correspond with the present circumstances.
- 3) Determine where are we located within these YIN/YANG elements,
- 4) Decide the direction and the strategy to move within these elements.

Much like a map, the YIN/YANG symbol helps us to orient ourselves and find the proper balance.

## **MANAGERIAL LESSON:**

The Superior CEO knows he can turn the corporation around or make it profitable once again provided he:

- 1) Establishes a common goal to unite all the employees around this goal.
- 2) Has the right vision. Success may lie in the CEO's ability to pull together the YANG/YIN forces to reach a common goal rather than to let these two forces pull in opposite directions. However, for these forces to reach a common goal, they must share the CEO's vision, otherwise his own bias will pull him in the wrong direction.
- 3) Performs an in-depth analysis of all corporate assets to properly allocate them at the right time and at the right place. As a good general, whose success lies in the correct allocation of material and personnel, the CEO's success will depend on his ability to properly allocate the corporate assets. The proper balance between the YANG and YIN assets creates success. But the danger lies in the CEO's weakness. He will fail in both circumstances, allowing either the YANG personnel to rush him into foolish actions with too much YANG or the YIN personnel to keep him paralyzed with too much YIN. However, should he balance the opposite views as two views of the same issue, then he has a chance to succeed.
- 4) Shows prudence and carefully weighs every move. Prudence is always better than wisdom. The image for the CEO to imitate is that of a fox crossing the ice. An experienced CEO, much like an experienced fox, will be cautious and alert, carefully measuring every step when looking for the safest way out. While the inexperienced CEO, much like the inexperienced fox, will rush boldly ahead without much thought, putting all his efforts at risk just as he is about to reach his goals.

The I Ching says: *"deliberation and caution are the prerequisites for success."*

## **INVESTMENT ADVICE:**

For the investor, the Before Completion represents in general a favorable Time-Space to invest.

By itself (no lines), the Time-Space points to Success provided the CEO moves with caution: *"But it is a task that promises success, because there is a goal that can unite the forces now ending in different directions. At first, however, one must move warily, like an old fox walking over ice."*

*BEFORE COMPLETION.*

*Success.*

*But if the little fox, after nearly completing the crossing,  
Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first,*



*however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

The lines, however, present two good possibilities to invest: Good Fortune in the second, the fourth and the fifth lines. There is one which is negative and points to Misfortune Danger (in the third place). The rest are not positive enough to present an investment opportunity.

The following are cases of corporations under the Before Completion Time-Space:

- **Applied Materials, Inc. AMAT under CEO Michael R. Splinter**

(Read at the end of the Hexagram)

## **THE LINES**

### **SIX IN THE FIRST PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – holding back the urge to rush into an apparent solution.

**Managerial Lesson:** Be prudent.

**Managerial Warning:** At the first stage of the Before Completion, the CEO is tempted to advance too fast to achieve his goal.

**Managerial Advice:** The Superior CEO knows that rushing into an apparent solution is never the answer. Such attitude is even worse if the CEO does it when the times are not propitious.

**Investment Advice:** Do not invest

### **NINE IN THE SECOND PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – waiting patiently.

**Managerial Lesson:** Be patient.

**Managerial Warning:** At the second stage of the Before Completion, the CEO must be patient as well as alert.

**Managerial Advice:** The Superior CEO recognizes the times – this is a time to:

- Wait patiently. The times are not auspicious and he lacks the proper financial strength or assets. This is not, however, the undefined patience (procrastination?) of general McClelland, which bordered on cowardice.
- To remain calm. This is not a time to move, but rather a time to nurture the corporation's profitability and to save unnecessary expenses and costs for a more propitious moment.
- Hold back the young YANG forces, which are not strong enough yet to reach the goal. It is the CEO's responsibility to:
  - Nurture them first so that he may unleash them at the proper time, and
  - Keep an eye on the goal at all times as a means to stay in the right course during this period of difficulties.

**Investment Advice:** Do not invest. Look for a better investment

### **SIX IN THE THIRD PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – when the time to make a move is approaching.

**Managerial Lesson:** Be prepared.

**Managerial Warning:** At the third stage of the Before Completion, the CEO must wait patiently because even though the time might be the right one to make a move, the corporation is not strong enough yet to reach its goal.

**Managerial Advice:** The Superior CEO knows his main goal is to move at the right time with the right corporate assets. If he does not have the right assets, he must find them. The Superior CEO looks for both human as well as financial resources outside the corporation. If necessary, he studies the possibility of a merger to strengthen the corporation. What is important, is that he will make his move only when the timing and the resources are the proper ones in the same way General Montgomery would move.

**Investment Advice:** Do not invest

### **NINE IN THE FOURTH PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – unleashing all his resources at the proper time to reach the corporate goals.

**Managerial Lesson:** Be effective.

**Managerial Warning:** At the fourth stage of the Before Completion, the CEO must make his move.

**Managerial Advice:** The Superior CEO knows that when the time comes for him to make his move, he must:

- Be resolute.
- Kill all dissenting voices -doubts may be voiced before D-day comes, but not once D-day starts.
- Be aggressive, otherwise he shouldn't even move. And
- Implement his plans once the goals are reached. The Superior CEO must realize that battle plans might be important, but it is the implementation of future plans once the battle has been won that will carry the corporation into the future.

**Investment Advice:** Invest

### **SIX IN THE FIFTH PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – managing success.

**Managerial Lesson:** Be successful.

**Managerial Warning:** At the fifth stage of the Before Completion, the CEO turns his corporation around. He has properly commandeered the corporate assets. He has reached his goal. The effort was certainly well worth it. He is now the very image of success. Everyone loves him because everyone loves a winner. He is now one of the new icons in the world of management. The I Ching advises the CEO that the successful crossing from almost certain bankruptcy to success makes the CEO's triumph all the more noteworthy, and thus of greater value in the eyes of investors.

**Managerial Advice:** The Superior CEO enjoys his victory.

**Investment Advice:** Invest

### **NINE IN THE SIXTH PLACE**

**Managerial Issue:** The CEO - managing the corporate turnaround or transition from Yin to Yang – managing its proper place in the industry.

**Managerial Lesson:** Be humble.

**Managerial Warning:** At the sixth stage of the Before Completion, the I Ching describes a successful CEO who has brought the corporation from the brink of bankruptcy to success. The corporation has gained its place in the industry. Even the most arrogant industry leader amongst his competitors must acknowledge the CEO's courage and accept his rightful place in the industry, even if begrudgingly.

**Managerial Advice:** The Superior CEO is humble in victory. He neither lets success go to his head and nor allows arrogance to take a hold of the corporation. He knows that as long as he remains humble, he will keep sober and prudent. This alone will command the respect and the fear of his fellow CEOs.

**Investment Advice:** Do not invest

The I Ching says in its final note: *“The hexagram AFTER COMPLETION represents a gradual transition from a time of ascent past a peak of culture to a time of standstill. The hexagram BEFORE COMPLETION represents a transition from chaos to order. This hexagram comes at the end of the Book of Changes. It points to the fact that every end contains a new beginning. Thus it gives hope to men. The Book of Changes is a book of the future.”*

## **MANAGERIAL CASES**

### **Applied Materials, Inc. AMAT under CEO Michael R. Splinter**

Michael Splinter's Performance:	ROI= (0.61%)	Annualized Return= (0.071%)
SPY's Performance:	ROI= 54.97%	Annualized Return= 5.07%

Michael R. Splinter became CEO of Applied Materials in April of 2003.

Since his appointment, his performance has been poor, underperforming the SPY by quite a margin. In essence, his performance has been a lost decade for the investors.

Because he has been CEO for almost a decade, we asked the Oracle once more about his future Time-Space: Before Completion.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

*HEXAGRAM 64 - Wei Chi - Before Completion*

*This hexagram indicates a time when the transition from disorder to order is not yet completed. The change is indeed prepared for, since all the lines in the upper trigram are in relation to those in the lower (1). However, they are not yet in their places. While the preceding hexagram offers an analogy to autumn, which forms the transition from summer to winter, this hexagram presents a parallel to spring, which leads out of winter's stagnation into the fruitful time of summer. With this hopeful outlook the Book of Changes comes to its close.*

*THE JUDGMENT*

*BEFORE COMPLETION.*

*Success.*

*But if the little fox, after nearly completing the crossing,*

*Gets his tail in the water,  
There is nothing that would further.*

*The conditions are difficult. The task is great and full of responsibility. It is nothing less than that of leading the world out of confusion back to order. But it is a task that promises success, because there is a goal that can unite the forces now tending in different directions. At first, however, one must move warily, like an old fox walking over ice. The caution of a fox walking over ice is proverbial in China. His ears are constantly alert to the cracking of the ice, as he carefully and circumspectly searches out the safest spots. A young fox who as yet has not acquired this caution goes ahead boldly, and it may happen that he falls in and gets his tail wet when he is almost across the water. Then of course his effort has been all in vain. Accordingly, in times "before completion," deliberation and caution are the prerequisites of success.*

## **2) THE ADVICE**

*Fire over water: The image of the condition before transition.  
Thus the superior man is careful  
In the differentiation of things,  
So that each finds its place.*

*When fire, which by nature flames upward, is above, and water, which flows downward, is below, their effects take opposite directions and remain unrelated. If we wish to achieve an effect, we must first investigate the nature of the forces in question and ascertain their proper place. If we can bring these forces to bear in the right place, they will have the desired effect, and completion will be achieved. But in order to handle external forces properly, we must above all arrive at the correct standpoint ourselves, for only from this vantage can we work correctly.*

## **3) THE LINES:**

*Six in the third place means:  
Before completion, attack brings misfortune.  
It furthers one to cross the great water.*

*The time of transition has arrived, but one lacks the strength to complete the transition. If one should attempt to force it, disaster would result, because collapse would then be unavoidable. What is to be done? A new situation must be created; one must engage the energies of able helpers and in this fellowship take the decisive step - cross the great water. Then completion will become possible.*

*NOTE. The hexagram AFTER COMPLETION represents a gradual transition from a time of ascent past a peak of culture to a time of standstill. The hexagram BEFORE COMPLETION represents a transition from chaos to order. This hexagram comes at the end of the Book of Changes. It points to the fact that every end contains a new beginning. Thus it gives hope to men. The Book of Changes is a book of the future.*

#### 4) THE MOVING HEXAGRAM

##### HEXAGRAM 50 – Ting - The Caldron

*The six lines construct the image of Ting, THE CALDRON; at the bottom are the legs, over them the belly, then come the ears (handles), and at the top the carrying rings. At the same time, the image suggests the idea of nourishment. The Ting, cast of bronze, was the vessel that held the cooked viands in the temple of the ancestors and at banquets. The head of the family served the food from the Ting into the bowls of the guests.<sup>1</sup> THE WELL (48) likewise has the secondary meaning of giving nourishment, but rather more in relation to the people. The Ting, as a utensil pertaining to a refined civilization, suggests the fostering and nourishing of able men, which redounded to the benefit of the state. (2)*

*This hexagram and THE WELL are the only two in the Book of Changes that represent concrete, man-made objects. Yet here too the thought has its abstract connotation. Sun, below, is wood and wind; Li, above, is flame. Thus together they stand for the flame kindled by wood and wind, which likewise suggests the idea of preparing food.*

##### THE JUDGMENT

###### THE CALDRON.

*Supreme good fortune.*

*Success.*

*While THE WELL relates to the social foundation of our life, and this foundation is likened to the water that serves to nourish growing wood, the present hexagram refers to the cultural superstructure of society. Here it is the wood that serves as nourishment for the flame, the spirit. All that is visible must grow beyond itself, extend into the realm of the invisible. Thereby it receives its true consecration and clarity and takes firm root in the cosmic order.*

*Here we see civilization as it reaches its culmination in religion. The Ting serves in offering sacrifice to God. The highest earthly values must be sacrificed to the divine. But the truly divine does not manifest itself apart from man. The supreme revelation of God appears in prophets and holy men. To venerate them is true veneration of God. The will of God, as revealed through them, should be accepted in humility; this brings inner enlightenment and true understanding of the world, and this leads to great good fortune and success.*

##### THE IMAGE

*Fire over wood: The image of THE CALDRON.*

*Thus the superior man consolidates his fate*

*By making his position correct.*

*The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing. These words contain hints about the fostering of life as handed on by oral tradition in the secret teachings of Chinese yoga,*

# BOOK TWO

# ON MANAGEMENT

## THE PROPHECIES OF THE I CHING

In all of my 44 years of studying the I Ching, I have never seen a more prophetic warning than the opinion of the I Ching about the Stan O'Neal-Merrill Lynch Time Space (Hexagram 44 - Coming to Meet). The only other case that comes close would be that of the Scott McNealy-Sun Microsystems Time-Space where the I Ching correctly predicted its bankruptcy (Hexagram 36 - The Darkening of the Light). Both cases should be studied at Harvard School of Management as to what a CEO should not do. And both cases should also be studied by every student of the I Ching (and in particular by every investor) as to why the I Ching is always right.

During my 12 years as a Financial Advisor with Merrill Lynch, I gathered \$150 million in assets and produced \$2 million a year becoming a member of the top (International) producers' Eagle Club. When I left Merrill Lynch in 2002 (or rather Merrill Lynch left me), I wrote "The TAO for CEOs and Investors". In the introduction, I explained the various reasons why I left Merrill Lynch.

One was the fact that I felt we had betrayed our clients' trust by allowing the Henry Blodget's of our research department to make poor recommendations while receiving part of the fees of the Investment Banking Division. That is, not only was there no "Chinese Wall" between Research and Investment, but worst, both were in bed together.

The other was because to add insult to injury, Stan O'Neal (Komansky was on his way out and was only a figure head) wanted the Financial Advisors to abandon those clients with assets below \$1 million because he wanted to turn Merrill Lynch into a Goldman Sachs.

In the 2002 version of THE TAO FOR CEOs AND INVESTORS, knowing about the I Ching's warning that O'Neal "abrasive" attitude would harm Merrill Lynch, I wrote:

The I Ching says: "A king is the symbol of a fatherly man who is richly endowed in mind. He does nothing to make himself feared; on the contrary, the whole family can trust him, because love governs their intercourse. His character of itself exercises the right influence".

*But what made my stay at Merrill even more unbearable was the cocky new policy of its future CEO obsessed with turning Merrill Lynch into a Goldman Sachs, while keeping the Merrill Lynch name.*

*If Wal-Mart improves its products and personnel and opens a branch in front of Tiffany at Fifth Avenue, how many of those millionaires who have always shopped at Tiffany will cross over Fifth Avenue to buy at Wal-Mart? If Merrill Lynch throws out its clients below a million dollars, after incurring substantial losses due to poor research recommendations and after years as loyal clients, will that signal to the multimillionaires of the world that now Merrill is like Goldman Sachs? Well, that is exactly what management was doing, while in the process robbing its Financial Advisors of their income by reducing their payout while keeping the commissions from the small clients for itself.*



*The I Ching says: "Evil is not destructive to the good alone but inevitably destroys itself as well. For evil, which lives solely by negation, cannot continue to exist on its own strength alone. The inferior man himself fares best when held under control by a superior man."*

*I guess Marriot's CEO refused to live solely by negation. By having a group of hotels such as Fairfield Inn, Courtyard, Marriot and J.W. Marriot, he achieved brand differentiation without offending his clients, shareholders or employees.*

*As I leave Merrill Lynch, I would like to leave its CEO and top management with a simple advice.*

*The I Ching says: "When the good elements of society occupy a central position and are in control, the evil elements come under their influence and change for the better. When the spirit of Heaven rules in man, his animal nature also comes under its influence and takes its appropriate place."*

*I dearly hope the good elements within Merrill Lynch will occupy the central position and take control of the corporation.*

In 2008, when Merrill Lynch lay in shambles, everyone was bad mouthing Stan O'Neal:

The readers of Entrepreneur Limited elected him the World's Worst Financial Markets CEO: "The CEO who exhibited the worst kinds of unbridled greed and a lack of compassion or concern for others over the last year".

The New York Times Magazine described him as one of the "feckless dolts" who helped precipitate the financial crisis of 2007.

CNBC included O'Neal in their list of "Worst American CEOs of All Time" "The CEOs who most effectively destroyed value and innovation while displaying the worst management skills throughout their management tenure."

After reading those comments, I recalled what the I Ching had said about O'Neal in 2002, a year before he was elected CEO, and how the I Ching had correctly predicted he would irreparably damage the 100 year old corporation.

In 2008, it was easy to see how O'Neal's social and racial resentment had destroyed Merrill Lynch. But who could foretell in 2002 that his inferiority complex and his envy for Goldman Sachs would do so much damage? The I Ching did. Had the BOD taken a few minutes to consult the Oracle, they would have saved Merrill Lynch.

## **O'NEAL'S ELECTION AS CEO**

When David Komansky realized he had to retire earlier than anticipated, he and the BOD of Merrill Lynch had to choose the next CEO from a group of three executives. Stan O'Neal won thanks to his ruthlessness and back stabbing strategies. It was déjà vu all over. Everyone knew how in 2001 he had taken over the presidency of Merrill Lynch in a classic palace intrigue that eventually led to the early ouster of his predecessor and one-time mentor David Komansky. It was only proper that Komansky's dragon would burn the hand that fed him.

Why the BOD of Merrill Lynch did choose him as CEO in 2003?

They felt it was the “politically correct” thing to do.

What made O’Neal the politically correct choice?

He was black and he embodied the idea of success. He was born in a poor town in the south. The legend said that his grandfather had been a slave. His father was a poor farmer who had to move to Detroit. He worked for the assembly lines at GM and GM had agreed to pay for his education once Harvard had accepted him. In his first act of disloyalty, he had quit GM and gone to work for Merrill Lynch. There, he proved to be a ruthless manager in the fixed income department. From his early days, he had shown an obsession with the Goldman Sachs corporate model, and as he moved to the higher management levels, he had made strong criticism of management as to why Merrill Lynch was not as profitable as Goldman Sachs – too little risk taking. Even then it was evident that he knew nothing about marketing (product differentiation) but he thought he knew about leverage. He had never read Warren Buffett’s thoughts on leverage ‘If you’re smart you don’t need it, and if you’re dumb, you got no business using it.’ O’Neal was definitely dumb.

By making a “politically correct” decision, the BOD was hoping that the financial world would stand in admiration of Merrill Lynch for having elected its first black CEO in its 100 years history – a history of Irish Catholic culture. But there were two basic mistakes with such a “politically correct” choice:

The first mistake was to choose someone without merits. Yes, he knew about fixed income and had been CFO but he knew nothing about the brokerage business. Furthermore, the rumor was that he only felt contempt for the brokerage business as he proved it in 2000 when he was named president of the U.S. Private Client Group, which made him the first executive of the division to oversee Merrill’s brokerage without being a broker himself. As expected, O’Neal led the massive layoffs within the division. That was a big mistake.

The second mistake was to discriminate in favor of someone because of his color. This implies that the BOD is discriminating against someone because of his color. That was the case of many of the top executives of Merrill Lynch who were not taken into consideration because of their color. According to the I Ching, any of the other two candidates would have done a much better job. In particular, the I Ching held that Win Smith, the son of one of the founders, would have done an excellent job as CEO, but Win Smith was white.

These differences were arbitrary rather than based on inner worth:

*The I Ching says: “Thus the superior man discriminates between high and low, and thereby fortifies the thinking of the people. Heaven and the Lake show a difference of elevation that inheres in the natures of the two, hence no envy arises. Among mankind also there are necessarily differences of elevation; it is impossible to bring about universal equality. But it is important that differences in social rank should not be arbitrary and unjust, for if this occurs, envy and class struggle are the inevitable consequences. If, on the other hand, external differences in rank correspond with differences in inner worth, and if inner worth forms the criterion of external rank, people acquiesce and order reigns in society.”*

There are hundreds of lessons the I Ching can teach the CEOs. This is one of the most important.

# MERRILL LYNCH UNDER CEO STAN O'NEAL (2002)

## Points the investor should consider:

### 1) THE HEXAGRAM

#### HEXAGRAM 44 – Kou - Coming to Meet

*This hexagram indicates a situation in which the principle of darkness, after having been eliminated, furtively and unexpectedly obtrudes again from within and below. Of its own accord the female principle comes to meet the male. It is an unfavorable and dangerous situation, and we must understand and promptly prevent the possible consequences.*

*The hexagram is linked with the fifth month [June-July], because at the summer solstice the principle of darkness gradually becomes ascendant again.*

#### THE JUDGMENT

#### COMING TO MEET.

*The maiden is powerful.*

*One should not marry such a maiden.*

*The rise of the inferior element is pictured here in the image of a bold girl who lightly surrenders herself and thus seizes power.*

#### Commentaries:

Indeed O'Neal was bold. Bold, mean and vindictive. Bold with someone else's money – the customers' and the shareholders' He leveraged the corporation to the unbelievable ratio of 30:1 and placed it at risk for \$65 billion. Vindictive because if you held an opinion different than his, he would fire you. He only wanted brown noses around him.

*This would not be possible if the strong and light-giving element had not in turn come halfway.*

#### Commentaries:

He did approach the BOD but the BOD also approached him. Thus they met him halfway.

*The inferior thing seems so harmless and inviting that a man delights in it; it looks so small and weak that he imagines he may dally with it and come to no harm.*

#### Commentaries:

Merrill's BOD fell for his harmless looks. Did they know he was full of hate and resentment? What made them so sure they could dally with him and come to no harm?

*The inferior man rises only because the superior man does not regard him as dangerous and so lends him power. If he were resisted from the first, he could never gain influence.*

### Commentaries:

All evil sons of bitches come to power (Hitler) precisely because those who should know better do not regard them as dangerous and lend them power. A simple act of resistance at first would keep them away from power and the world would avoid the future destruction they always bring.

*The time of COMING TO MEET is important in still another way. Although as a general rule the weak should not come to meet the strong, there are times when this has great significance. When heaven and earth come to meet each other, all creatures prosper; when a prince and his official come to meet each other, the world is put in order. It is necessary for elements predestined to be joined and mutually dependent to come to meet one another halfway. But the coming together must be free of dishonest ulterior motives, otherwise harm will result.*

## **2) THE ADVICE**

*Under heaven, wind: The image Of COMING TO MEET.  
Thus does the prince act when disseminating his commands  
And proclaiming them to the four quarters of heaven.*

*The situation here resembles that in hexagram 20, Kuan, CONTEMPLATION (VIEW). In the latter the wind blows over the earth, here it blows under heaven; in both cases it goes everywhere. There the wind is on the earth and symbolizes the ruler taking note of the conditions in his kingdom; here the wind blows from above and symbolizes the influence exercised by the ruler through his commands. Heaven is far from the things of earth, but it sets them in motion by means of the wind. The ruler is far from his people, but he sets them in motion by means of his commands and decrees.*

## **3) THE LINES:**

### **Six at the beginning means:**

*It must be checked with a brake of bronze.*

*Perseverance brings good fortune.*

*If one lets it take its course, one experiences misfortune.*

*Even a lean pig has it in him to rage around.*

- *If an inferior element has wormed its way in, it must be energetically checked at once.*
- *By consistently checking it, bad effects can be avoided.*
- *If it is allowed to take its course, misfortune is bound to result;*
- *the insignificance of that which creeps in should not be a temptation to underrate it.*
- *A pig that is still young and lean cannot rage around much, but after it has eaten its fill and become strong, its true nature comes out if it has not previously been curbed.*

### Commentaries:

- Why choose a CEO who *must be checked with a brake of bronze.?*

- And that the only way to bring good fortune to the corporation is to persevere in checking him *with a brake of bronze.*? was this a warning to the BOD that they had to make sure he did not do away the risk management division?
- What can shareholders, employees and customers gain from electing a CEO who *If one lets it take its course, one experiences misfortune. ?*
- *If an inferior element has wormed its way in, it must be energetically checked at once.*
- *By consistently checking it, bad effects can be avoided.*
- *If it is allowed to take its course, misfortune is bound to result;*
- *the insignificance of that which creeps in should not be a temptation to underrate it.*
- *A pig that is still young and lean cannot rage around much, but after it has eaten its fill and become strong, its true nature comes out if it has not previously been curbed.*

### **O'NEAL AS THE "INFERIOR ELEMENT"**

In 2002, the I Ching already knew he was an inferior element not worthy of his position and so described him in its ancient language. It does not require of genius to interpret the I Ching's ancient language.

What made of O'Neal an inferior element?

- While the Superior CEO asks for the bad news first, O'Neal's "abrasive" personality and plain mean attitude was so menacing that no one would dare bring him any bad news.
- While the Superior CEO is humble, O'Neal introduced the practice of having the security guards always hold an entire elevator bank open exclusively for him.
- While the Superior CEO encourages merit, O'Neal promoted loyalists like Osman Semerci, who shared his vision. He was only imitating the BOD which had elected him without merits.
- While the Superior CEO listens closely to his advisors, O'Neal would make his decisions without consulting with his advisors (he had none).
- While the Superior CEO encourages the executives to share their views amongst themselves, O'Neal would prohibit any such sharing of personal views. They could only discuss their views directly with him.
- While the Superior CEO looks for harmony, O'Neal would say "Dysfunction is good on Wall Street." The Superior CEO knows that Dysfunction is not good – erectile or of any other kind.
- While the Superior CEO learns from his experiences and uses them to keep his corporation away from danger, O'Neal would forget what he had learned as Merrill's CFO during the "Long Term Capital Management" debacle.

- While the Superior CEO believes deeply in auditing, O'Neal would relegate the job of the risk manager to the lowest of places in the managerial structure. People who complained about risk were fired or sidelined.
- While the Superior CEO is aware of what is going on in the corporation, O'Neal did not have a clue about the depth of the danger Merrill was in and would play golf by himself. Apparently he was not alone. Jimmy Cayne the CEO of Bear Sterns was also clueless but he preferred smoking pot and playing bridge to playing golf while Bear Sterns' Hedge Funds were going under.
- While the Superior CEO is aware of what is going on in the industry, O'Neal would continue adding more CDOs to the balance sheet deliberately ignoring the collapse of the two Bear Sterns hedge funds and the fact that Goldman Sachs had practically closed down all operations related to the CDO markets.
- While the Superior CEO consults with his BOD before making transcendental decisions, O'Neal approached first BOA and later Wachovia without consulting the BOD and shamefully offered them the sale of Merrill Lynch as if it was his own personal property.

### **Contempt for his own brand name**

Merrill Lynch was the financial institution that had brought Wall Street to Main Street. It was the financial Walmart which for almost 100 years had provided financial services to the less affluent clients. And its CEOs were "Men of the People" (of the employees, customers and shareholders also).

Stan O'Neal was a man who envied the higher classes and despised the lower classes. He was obsessed with Goldman Sachs, the financial Tiffany which serviced the Super Rich. His ambition was to convert Merrill Lynch into Goldman Sachs. He loved Tiffany, he hated Walmart. That, of course, was part of his social and racial resentment – to prove that he could be better without having the skills (risk management and in depth knowledge of the business).

The fact that O'Neal failed to grasp the simple concept of product differentiation by creating separate institutions to service separate types of customers is absolutely amazing. Marriot's CEO had achieved brand differentiation by having a group of hotels such as Fairfield Inn, Courtyard, Marriot and J.W. Marriot, and had done it without offending its customers, shareholders or employees. The fact that O'Neal did not buy a financial boutique where they could send the more affluent customers and had insisted in turning Merrill Lynch into Goldman Sachs only shows how deep his social and racial resentment really was.

### **Contempt for his customers**

One of the reasons I left Merrill Lynch was because O/Neal ordered the closing of accounts below \$1 million. Again, this showed his obsession with copying Goldman Sachs which only handles the accounts of the multimillionaires.

His contempt for the “poor” customers became evident when he decided to implement such a policy precisely at the worst possible moment, that is, in the year 2002, when the markets had suffered a severe crash (because of the markets and the twin towers) and the investors had suffered enormous losses. If you had a \$1 million portfolio before the crash and after the crash your portfolio had dropped 50%, how would you feel if now your financial advisor closes your account because you no longer have \$1 million? How would you feel, especially when such losses were caused by Merrill Lynch’s poor research recommendations?

Why did Merrill Lynch’s research department acted irresponsibly?

I did not know it at the time but Merrill Lynch Research used a double standard when it came to sending signals to the readers of its research.

To issue a buy signal, they would classify a corporation as a 1-1. For instance, Microsoft was an A-1-1 which meant it was an A Risk quality with a Buy short term opinion and a Buy long term opinion. When the market collapsed in 2000, Merrill Research changed Microsoft’s rating to C-2-2, meaning:

- For the financial advisor and clients, the opinion meant that even though the risk quality had dropped substantially (in one month from A to C?), it was still recommended as a hold short term and hold long term.
- For the financial institutions that followed Merrill Lynch Research, the opinion meant the risk quality had dropped and the stock had to be sold. No holding.
- For the Merrill Lynch trading desk it was a signal to short the same stocks we were asking the customers to hold.

Merrill Research’s gross negligence became even more evident when out of thousands of stocks the research department followed; it gave a sell opinion of 4-4 to less than a dozen stocks. Such a sell opinion, would have allowed the financial advisors to tell their clients to sell the stocks. With a Hold Opinion of C-2-2, the Financial Advisor could not tell the client to sell because that would have been his own personal opinion. He was forced to ask his clients to hold while the other financial institutions sold the stock and while Merrill’s trading desk shorted the same stocks we were asking our clients to hold. Those clients we asked to hold the Microsoft Stock in 2000 are still waiting to recover from their 50% losses.

Komansky harmed the customers because of his negligence. O’Neal harmed the shareholders and the employees because of his mean arrogance. One could see the satisfaction from the faces of those clients of Merrill Lynch who had lost it all in the crash of 2000 when O’Neal bankrupted Merrill. They considered it poetic as well as Divine justice.

- The I Ching says: *The inferior man's wickedness is visited upon himself. His house is split apart.*

That lack of sensibility for Merrill Lynch’s client base which was the result of his obsession with turning Merrill Lynch into a new Goldman Sachs, did heavy damage to the prestige and the good name of Merrill Lynch.

Where were the Merrill Lynch Corporate Principles that appeared so prominently on the wall of every one of its branches?

## **Contempt for the employees**

As CEO, he became famous for rationalizing the cost structure, meaning firing thousands of employees to look good in the eyes of the BOD and the shareholders. He was a brown nose who only accepted brown noses around himself.

## **Contempt for Risk**

His decision to take risks beyond what any other CEO's common sense would have allowed is absolutely mind boggling. When recently elected CEO of Merrill Lynch, O'Neal said the first thing he would do was to turn the corporation's conservative policies into one more aggressive, into one similar to Goldman Sachs and its hedge Fund model.

Merrill Lynch was known as "Mother Merrill" because of its policy of taking care of customers and employees for life. This "Mother Merrill" concept was possible as long as Merrill Lynch would keep both its clients and its shareholders away from high risks.

Under his new mandate and strategy, he took risks that Merrill Lynch would never have taken. He took the corporation to a never seen level of leverage of 30:1. That is like driving down a highway at 300 mph and staying only a couple of feet away from the car in front. With that kind of leverage, there was no room for errors. With a slight drop in the value of the assets, the corporation's capital would be lost and the corporation would be technically in bankruptcy.

## **Contempt for the shareholders**

The assets belong to the shareholders. The CEO is responsible for both: A return on the assets as well as the return of the assets.

O'Neal would turn green of envy every time Goldman Sachs would present its quarterly reports. He could not stand to see how Goldman would generate billions in profits and dramatically increase its earnings thanks to the sale of questionable products, products of doubtful quality,

O'Neal decided to turn Merrill into a Hedge Fund following Goldman's example. Again more evidence of his social and racial resentment – I am black, mi grandfather was a slave, but I am going to show them. But first, he had to fire those executives who would not take excessive risks and then hire and order executives such as Chris Ricciardi and Osman Semerci to buy CDOs (mortgage products of doubtful quality). His greed and ambition had no limits – he gave instructions not to resell the CDOs to Merrill's customers (thank GOD) but rather to keep them on Merrill's own book thus incrementing the corporate risk to \$65 billion, That is, O'Neal decided to drink his own "Kool Aid". In his mind, there was no connection between return and risk. He liked the returns but ignored the risks.

While Goldman Sachs would buy the CDOs to sell them to his clients and later on would even short them as the real traders and experts in risk management that they are (many admire them precisely because they are such ruthless sons of bitches that they would sell their own mothers), O'Neal would continue to buy more and more of these high risk products – even from Goldman Sachs who considered O'Neal a fool.



O'Neal's synchronicity could not have been worst. He placed Merrill at a \$65 million risk precisely when the real estate bubble was about to burst. While Goldman was dumping and shorting these high risk products, smelling the worst ahead, O'Neal's social and racial resentment kept him blind and continued to push him in the wrong direction, pushing him to buy more and more of these worthless papers.

What was it that Goldman was doing that O'Neal so desperately wanted to do? Goldman generated 80% increments in earnings year after year while Merrill would generate low earnings and even losses. This envy would make his top executives tremble every time Goldman Sachs would report its quarterly earnings. Instead of blaming himself for so many strategic errors, O'Neal would gather the top executives and would insult and humiliate them by asking the eternal question: why Goldman Sachs doubles its earnings and you cannot do it? Instead of answering him saying: because your policies are not worth shit and you have to change them, they would keep quiet. These were the professional brown noses, the ones who had survived his purges of the more talented, experienced and honest executives for speaking their minds, for wanting to save Merrill Lynch from so much madness – O'Neal's madness.

### **Contempt for the BOD**

- *O'Neal arranged a secret meeting with Ken Lewis, the C.E.O. of Bank of America, who had long lusted after Merrill Lynch. Even before the meeting, the two men had talked about a deal, and Lewis had even thrown out a number: \$90 a share. At the secret meeting, O'Neal suggested bumping the price to \$100. Lewis didn't object.*
- *The dinner itself was "frosty," according to one participant. The directors were angry. "There was no small talk, no humor." The board members were served their food, and practically before they could take a bite O'Neal said, "I think we should sell to Wachovia." In an instant, the directors' anger turned to fury. "Their reaction was vitriolic," recalls one participant. "I've never seen that kind of interplay between a C.E.O. and a board of directors." The board had zero interest in pursuing a merger with Wachovia.*

It is quite an irony that the same corporation O'Neal wanted so much to imitate and failed so miserably at it, was the same corporation that saved Merrill Lynch by arranging the purchase of Merrill Lynch by BOA. Merrill's shareholders and employees owe a lot to two Goldman Sachs men: Treasury Secretary Hank Paulson, who threatened to fire Ken Lewis, the CEO of BOA if he didn't go through with the purchase of Merrill Lynch and John Thain, the CEO who replaced O'Neal and who managed to persuade Ken Lewis that Merrill Lynch was a much better option than Lehman.

*Merrill Lynch did ultimately wind up in the arms of Bank of America. It happened in mid-September 2008, during "Lehman weekend." The collapse of subprime securities had led to utter panic on Wall Street. Ken Lewis, like all the other Wall Street C.E.O.'s, had been brought to the New York Federal Reserve that weekend to help figure out how to save Lehman Brothers. Indeed government officials went in half-expecting that Bank of America would buy Lehman. But Merrill's C.E.O., John Thain, the former top Goldman executive who had, ironically, replaced O'Neal, persuaded Lewis to buy Merrill instead. It wasn't a hard sell. The*

*price was \$29 a share. That triple-A exposure—\$42 billion of which was ultimately written down—was precisely the reason Merrill Lynch was so vulnerable.*

## **AFTERTHOUGHTS**

Throughout my 44 years of consulting the I Ching, I have almost always asked the Oracle business related questions (management and finance). Perhaps because of my business related background and my lack of political expertise, I have kept away from politically related questions. However, I think it is worth it to make one important observation about attitude:

- That attitude so proud, so arrogant and so full of wild ambition that we observe in the political leaders of the world, is not that different from the attitude of some of the more known CEOs in the corporate world.
- That attitude that deliberately and wrongfully interprets the people's mandate as expressed by their votes, that emboldens some of the political leaders of the world to sequester the dreams of their own people and replace them with their own twisted desires fueled by social and racial resentment, that makes them go in the wrong direction, and that makes them copy models that do not work such as socialist/communist models, is not that different from the attitude of some of the more known CEOs in the corporate world.

Which shareholder, which customer, which employee told the CEOs of so many of the financial institutions (Merrill, Citigroup, AIG) and even some of the industrial conglomerates (GE) that they could turn their corporations into Hedge Funds without the necessary expertise?

Here we have a 3000 (5000?) year old Oracle warning the BOD of Merrill Lynch in the year 2002, about the inevitable fact that something terrible would happen in the next 7 years if O'Neal was elected CEO. Even if the language is ancient, it is still quite clear. Let's repeat it:

### **Six at the beginning means:**

*It must be checked with a brake of bronze.*

*Perseverance brings good fortune.*

*If one lets it take its course, one experiences misfortune.*

*Even a lean pig has it in him to rage around.*

- *If an inferior element has wormed its way in, it must be energetically checked at once.*
- *By consistently checking it, bad effects can be avoided.*
- *If it is allowed to take its course, misfortune is bound to result;*
- *the insignificance of that which creeps in should not be a temptation to underrate it.*
- *A pig that is still young and lean cannot rage around much, but after it has eaten its fill and become strong, its true nature comes out if it has not previously been curbed.*

This is nothing short of amazing. And it is one powerful reason why the BOD of every corporation should make the effort to study and consult the Oracle regularly about the future results of appointments and strategies. That is, to consult the ultimate consultant. Who needs McKinsey, or Duff & Phelps or Arthur D Little when the world has the I Ching? While these consulting firms study the past and charge a fortune, the I Ching predicts the future and does it

for free. Would any of these three consulting firms have predicted O'Neal was a poor choice for the CEO position, the same way the I Ching did?

That is one of the lesson we must learn – that only an innocent Oracle like the I Ching can see through the hearts of evil men and call them out for what they really are. Why a man who was supposed to be such a great manager ended up making so many basic mistakes is something that only an Oracle like the I Ching was capable of knowing. Only the Oracle could see his dark side.

### **Let us repeat the mantra for managers and investors:**

The I Ching says: *“Evil is not destructive to the good alone but inevitably destroys itself as well. **For evil, which lives solely by negation**, cannot continue to exist on its own strength alone. The inferior man himself fares best when held under control by a superior man.”*

The essence of Evil is negation. The essence of Evil is not doing something wrong. We all do something wrong. The essence of Evil lies in denying the fact that we are doing something wrong and in insisting in continuing to do it.

To try to turn Merrill Lynch (a financial Walmart) into Goldman Sachs (a financial Tiffany) by allowing the likes of Chris Ricciardi and Osman Semerci to increment the corporate liabilities to \$65 billion, by castrating the risk management team, by firing those who pointed to the dangers of such high leverage, and by buying out non-profitable companies such as Scottish & Newcastle's pub estate (\$4.2 billion) and Debenhams (\$2.9 billion) – that, is the essence of Evil.

Negation, negation, negation. By failing to recognize that his social and racial resentment was behind his obsession with Goldman Sachs, he destroyed himself as well as Merrill Lynch.

- The I Ching says: *The inferior man's wickedness is visited upon himself. His house is split apart.*

Stan O'Neal is the only CEO in Merrill's 100 years history of service that managed to bankrupt the company. And yet, in spite of such a feat, he managed to blackmail the BOD into paying him the amazing sum of \$161 million in severance payments. Again, a case of discrimination in reverse – he got it because he was black. Had he been white he would have been thrown in jail.

Those who have tried to apologize for O'Neal saying that Alberto Cribiore, one of the members of the BOD, is to blame because Cribiore bitterly opposed O'Neal's efforts to sell Merrill Lynch to Bank of America, forget one fact. That O'Neal was responsible for creating the conditions that eventually made him seek the arms of BOA. To every employee of Merrill Lynch, Alberto Cribiore was a pompous idiot who was a caricature of the characters of the Operas he so much loved, but he was not the CEO. O'Neal was the CEO. O'Neal's job was not to sell Merrill Lynch to BOA. His job was not to fool Ken Lewis by selling him a worthless corporation at \$100 a share when after losing \$65 billion Merrill's shares were worth nothing. His job was not to withhold material information and look for the greater fool in Wachovia. His job as CEO during the Coming to Meet Time-Space was to make sure evil would not re-introduce itself in the corporation. Of course, the problem was he was the one who represented evil re-introducing

itself back into the corporation and bringing more evil with him (Cribiore, Semerci, et al). With such a CEO, Merrill Lynch was doomed.

**NOTE: the I Ching warns us that both Goldman Sachs and Bank of America are going to encounter serious difficulties in the future (see their respective Hexagrams)**

## **General Electric under Jack Welch**

### **THE HEXAGRAM**

**RETURN. Success.**

*Going out and coming in without error.*

*Friends come without blame.*

*To and fro goes the way.*

*On the seventh day comes return.*

*It furthers one to have somewhere to go.*

*After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force. The upper trigram K'un is characterized by devotion; thus the movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time; therefore no harm results. Societies of people sharing the same views are formed. But since these groups come together in full public knowledge and are in harmony with the time, all selfish separatist tendencies are excluded, and no mistake is made.*

*The idea of RETURN is based on the course of nature. The movement is cyclic, and the course completes itself. Therefore it is not necessary to hasten anything artificially. Everything comes of itself at the appointed time. This is the meaning of heaven and earth.*

*All movements are accomplished in six stages, and the seventh brings return. Thus the Winter solstice, with which the decline of the year begins, comes in the seventh month after the summer solstice; so too sunrise comes in the seventh double hour after sunset. Therefore seven is the number of the young light, and it arises when six, the number of the great darkness, is increased by one. In this way the state of rest gives place to movement.*

### **THE LINES**

Six in the second place means:

*Quiet return.*

**Good fortune.**

*Return always calls for a decision and is an act of self-mastery. It is made easier if a man is in good company. If he can bring himself to put aside pride and follow the example of good men, good fortune results.*

## **THE MOVING HEXAGRAM**

*HEXAGRAM 19 – Lin - Approach*

***APPROACH has supreme success.***

*Perseverance furthers.*

*When the eighth month comes,*

*There will be misfortune.*

*The hexagram as a whole points to a time of joyous, hopeful progress. Spring is approaching. Joy and forbearance bring high and low nearer together. Success is certain. But we must work with determination and perseverance to make full use of the propitiousness of the time. And one thing more: spring does not last forever. In the eighth month the aspects are reversed. Then only two strong, light lines are left; these do not advance but are in retreat (see next hexagram). We must take heed of this change in good time. If we meet evil before it becomes reality - before it has even begun to stir - we can master it.*

I used to tell everyone that Jack Welch would be a great CEO because he had the Mandate of Heaven. No one would believe it. Everyone thought that he was such a genius that he did not need the Mandate of Heaven. To them I say: if he was such a genius and did not need the Mandate of Heaven how come he made a terrible mistake in choosing his replacement? The Superior CEO recognizes when Heaven bless him and does it publicly.

## **General Electric Co. GE under CEO Jeffrey R. Immelt**

Jeffrey R. Immelt's Performance:	ROI=	<b>(52.62%)</b>	Annualized Return=	<b>(7.29%)</b>
SPY's Performance:	ROI=	186.46%	Annualized Return=	6.21%
W. J. McNerney's Performance:	ROI=	10.91%	Annualized Return=	1.73%
SPY's Performance:	ROI=	4.07	Annualized Return=	0.66%

Jeff Immelt became CEO of General Electric on September 7, 2001. Since then, his performance has been absolutely dismal as evidenced by the 50% drop in the value of the stock since his appointment. His performance has been so poor that he was named one of the five worst Non-Financial-Crisis-Related CEOs of 2008 by the Free Enterprise Action Fund.

Jack Welch made a terrible mistake when he chose Immelt as GE's CEO. Jack Welch assumed that because he himself was touched by Heaven that Immelt would be touched by Heaven also. When Jack Welch became CEO, his Hexagram was The Return of the Light or the Turning Point (Hexagram 24) which is one of the most favorable times to invest. Indeed, he

turned the company around but he never recognized his Heavenly support. By not recognizing it, he probably felt that the heavenly support would be there forever.

By comparing Immelt's performance with McNerney's, it becomes evident that Jack Welch should have chosen James McNerney (hexagram 15 Modesty for Boeing) rather than forcing McNerney out after choosing Immelt. Welch's linear thinking forced him to use all the information available of the past to pick a future CEO. But the universe is not linear. The Universe is cyclical. The universe had ordained that the 7 fat-cows period presided by Jack Welch would be followed by the 7 thin-cows period presided by Immelt. Welch never took into consideration the future time-space or outcome that would have resulted in choosing each of these two managers. Only the I Ching would have shown him the future time-space of General Electric. Choosing Immelt created a negative time-space for General Electric as his performance has shown. After a decade, all he has to show for his efforts is a 50% drop in the value of the stock.

Given all the negative lines in the Time-Space of the General Electric-Immelt combination, the best course of action is for him to resign. What is even more worrisome is the warning in the last line:

*Six at the top means:*

*Horse and wagon part. Bloody tears flow.*

*Confucius says of this line: "Bloody tears flow: one should not persist in this."*

Even though all analysts will laugh at the possibility the I Ching can predict the future for managers and investors, those who are still invested in General Electric should seriously consider selling the stock until the Board of Directors changes Immelt for someone who would create a better Time-Space for GE's future.

The I Ching's recommendation to Immelt was to establish as his main project the rebalancing of GE's portfolio and to manage the risks (Initial Difficulties) involved in the project.

Everyone knows GE's main problem was caused by one of its divisions - GE Capital. What Bernanke said about AIG comes to mind: *"This was a hedge fund, basically, that was attached to a large and stable insurance company."* Some would say that GE was a Hedge Fund that was attached to a large and stable industrial conglomerate.

Immelt cannot escape the responsibility of having sufficient time (from 2001 to 2008) to:

- Rebalance the corporation's portfolio,
- Reduce its dependence on GE Capital's income (over 50% of total corporate income) and
- Diminish GE Capital management's excessive power.

Immelt's failure comes from his lack of Modesty as evidenced by the fact he failed to protect GE from one of the Universe's most inexorable laws by applying it to the corporation.

- The I Ching says: *"It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest."*

## **SUN MICROSYSTEMS under CEO Scott McNealy**

In December 1997, a very wealthy client wanted to make a very large investment in Sun Microsystems. The client had been to one of Scott McNealy's conferences and had been very much impressed by McNealy's vision of the future of Sun Microsystems.

In December of 1997, I asked the Oracle about the future of Sun Microsystems under CEO Scott McNealy. The result was so negative that I did all in my power to make sure my clients stayed away from such a future mess. In the dot com bubble of the years 1999 and 2000 the price of Sun Microsystems reached over \$80 and the Oracle seemed to have made a mistake. Yet, by 2008, it was evident the Darkening of the Light had destroyed the corporation. In the end, the Oracle saved the clients millions in potential losses.

### **Points the investor should consider:**

#### **1) THE HEXAGRAM**

##### ***HEXAGRAM 36 - Ming I - Darkening of the Light***

*Here the sun has sunk under the earth and is therefore darkened. The name of the hexagram means literally "wounding of the bright"; hence the individual lines contain frequent references to wounding. The situation is the exact opposite of that in the foregoing hexagram. In the latter a wise man at the head of affairs has able helpers, and in company with them makes progress; here a man of dark nature is in a position of authority and brings harm to the wise and able man.*

##### **Comments:**

*"wounding of the bright";*

Right away we can see that there is something wrong with a corporation where the able assistant is wounding the CEO.

#### **THE JUDGMENT**

*DARKENING OF THE LIGHT.*

*In adversity*

*It furthers one to be persevering.*

*One must not unresistingly let himself be swept along by unfavorable circumstances, nor permit his steadfastness to be shaken. He can avoid this by maintaining his inner light, while remaining outwardly yielding and tractable. With this attitude he can overcome even the greatest adversities.*

*In some situations indeed a man must hide his light, in order to make his will prevail in spite of difficulties in his immediate environment. Perseverance must dwell in inmost consciousness and should not be discernible from without. Only thus is a man able to maintain his will in the face of difficulties.*

## **2) THE ADVICE**

### **THE IMAGE**

*The light has sunk into the earth: The image of DARKENING OF THE LIGHT.  
Thus does the superior man live with the great mass:  
He veils his light, yet still shines.*

*In a time of darkness it is essential to be cautious and reserved. One should not needlessly awaken overwhelming enmity by inconsiderate behavior. In such times one ought not to fall in with the practices of others; neither should one drag them censoriously into the light. In social intercourse one should not try to be all-knowing. One should let many things pass, without being duped.*

#### **Comments:**

It becomes more and more obvious as we read more and more of the Hexagram that there is something deeply disturbing with Sun Microsystems and Scot McNealy.

## **3) THE LINES:**

### **Nine in the third place means:**

*Darkening of the light during the hunt in the south.*

*Their great leader is captured.*

*One must not expect perseverance too soon.*

*It seems as if chance were at work. While the strong, loyal man is striving eagerly and in good faith to create order, he meets the ringleader of the disorder, as if by accident, and **seizes him**. Thus victory is achieved. But in abolishing abuses one must not be too hasty. This would turn out badly because the abuses have been in existence so long.*

#### **Comments:**

It is evident that there must have been a power struggle within Sun Microsystems which eventually made it unstable.

### **Six at the top means:**

*Not light but darkness.*

*First he climbed up to heaven,*

*Then he plunged into the depths of the earth.*

*Here the climax of the darkening is reached. The dark power at first held so high a place that it could wound all who were on the side of good and of the light. But in the end it perishes of its own darkness, for evil must itself fall at the very moment when it has wholly overcome the good, and thus consumed the energy to which it owed its duration.*

#### **Comments:**

Who would have thought that Scott McNealy, one of the founders and CEO of Sun Microsystems and considered one of the boys wonder in the world of management would drive his corporation into bankruptcy.



*First he climbed up to heaven,-* He was so highly regarded as a manager that Jack Welch, the famous CEO of General Electric, invited him to become a member of GE's Board of Directors.  
*Then he plunged into the depths of the earth -* When he resigned in 2006 after 22 years as CEO, everyone turned his back on him.

His was the classic example of having all the elements to become successful, becoming successful and then losing it all. This had nothing to do with talent. This was cyclical, this was a problem of synchronicity working against the CEO and the corporation. Even today, Scott McNealy proved he was right when he said: "the Network is the Computer". Now that everyone talks about having everything in the "Cloud", is good to remember that McNealy was right about the future except that he was ahead of his time. Maybe his biggest mistake was his eternal fight with Bill Gates where McNealy demanded that all software had to be free and Bill Gates obviously was of the opposite opinion. To McNealy, the important part was the hardware and not the software. It is possible that now that Google is giving away the software for free in Google Docs in its Cloud, Microsoft will find itself under difficulties. However, McNealy was way ahead of his times and out of synchronicity.

#### **4) THE MOVING HEXAGRAM**

##### ***HEXAGRAM 27 – I - The Corners of the Mouth (Providing Nourishment)***

*This hexagram is a picture of an open mouth; above and below are the firm lines of the lips, and between them the opening. Starting with the mouth, through which we take food for nourishment, the thought leads to nourishment itself. Nourishment of oneself, specifically of the body, is represented in the three lower lines, while the three upper lines represent nourishment and care of others, in a higher, spiritual sense.*

#### **THE JUDGMENT**

*THE CORNERS OF THE MOUTH.*

*Perseverance brings good fortune.*

*Pay heed to the providing of nourishment*

*And to what a man seeks*

*To fill his own mouth with.*

*In bestowing care and nourishment, it is important that the right people should be taken care of and that we should attend to our own nourishment in the right way. If we wish to know what anyone is like, we have only to observe on whom he bestows his care and what sides of his own nature he cultivates and nourishes. Nature nourishes all creatures. The great man fosters and takes care of superior men, in order to take care of all men through them.*

*Mencius says about this:*

*If we wish to know whether anyone is superior or not, we need only observe what part of his being he regards as especially important. The body has superior and inferior, important and unimportant parts. We must not injure important parts for the sake of the unimportant, nor must we injure the superior parts for the sake of the inferior. He who cultivates the inferior parts of his nature is an inferior man. He who cultivates the superior parts of his nature is a superior man. 1*

## **THE IMAGE**

*At the foot of the mountain, thunder: The image of PROVIDING NOURISHMENT.  
Thus the superior man is careful of his words  
And temperate in eating and drinking.*

*"God comes forth in the sign of the Arousing" 2: when in the spring the life forces stir again, all things come into being anew.*

*"He brings to perfection in the sign of Keeping Still": thus in the early spring, when the seeds fall to earth, all things are made ready.*

*This is an image of providing nourishment through movement and tranquility. The superior man takes it as a pattern for the nourishment and cultivation of his character. Words are a movement going from within outward. Eating and drinking are movements from without inward. Both kinds of movement can be modified by tranquility. For tranquility keeps the words that come out of the mouth from exceeding proper measure, and keeps the food that goes into the mouth from exceeding its proper measure. Thus character is cultivated.*

### **Comments:**

It is quite a difficult thing to nourish oneself when one insists that all software must be free such as in the case of Sun's Java, Sun's Solaris and Sun's Open Office. No doubt free software nourishes all humanity but Sun needed its own nourishment desperately.

Tell Larry Ellison to give away its software for free and see how fast you get fired.

### **Comments:**

Scott McNealy resigned from Sun in 2006 after 22 years as CEO. He was replaced by Jonathan Schwartz who saw Sun reach line six and sink into the Darkening of the Light. Larry Ellison of Oracle bought Sun for \$7.4 billion or \$9.50 per share in 2009.

Sun's stock had dropped dramatically from well over \$100 to practically nothing. Such is the Power of the Darkening of the Light. It makes no sense to invest in a company which is facing the Darkening of the Light Time-Space. Few corporations can perform well under such Time-Space. It is best to continue to search for corporations with better Time-Spaces. After all, there are over 14 thousand corporations in the exchanges to choose from.

## **USA under Bill Clinton (Archives 1972)**

### *Hexagram 46 – Sheng - Pushing Upward*

*The lower trigram, Sun, represents wood, and the upper, K'un, means the earth. Linked with this is the idea that wood in the earth grows upward. In contrast to the meaning of Chin, PROGRESS (35), this pushing upward is associated with effort, just as a plant needs energy for pushing upward through the earth. That is why this hexagram, although it is connected with*

success, is associated with effort of the will. In PROGRESS the emphasis is on expansion; PUSHING UPWARD indicates rather a vertical ascent - direct rise from obscurity and lowliness to power and influence.

### THE JUDGMENT

PUSHING UPWARD  
has supreme success.  
One must see the great man.  
Fear not.  
Departure toward the south  
Brings good fortune.

The pushing upward of the good elements encounters no obstruction and is therefore accompanied by great success. The pushing upward is made possible not by violence but by modesty and adaptability. Since the individual is borne along by the propitiousness of the time, he advances. He must go to see authoritative people. He need not be afraid to do this, because success is assured. But he must set to work, for activity (this is the meaning of "the south") brings good fortune.

### THE IMAGE

Within the earth, wood grows: The image of PUSHING UPWARD.  
Thus the superior man of devoted character  
Heaps up small things  
In order to achieve something high and great.

Adapting itself to obstacles and bending around them, wood in the earth grows upward without haste and without rest. Thus too the superior man is devoted in character and never pauses in his progress.

### THE LINES

Six at the beginning means:  
Pushing upward that meets with confidence  
Brings great good fortune.

This is the situation at the beginning of ascent. Just as wood draws strength for its upward push from the root, which in itself is in the lowest place, so the power to rise comes from this low and obscure station. But there is a spiritual affinity with the rulers above, and this solidarity creates the confidence needed to accomplish something.

## **MOVING HEXAGRAM**

### **Hexagram 11 - T'ai - Peace**

*The Receptive, which moves downward, stands above; the Creative, which moves upward, is below. Hence their influences meet and are in harmony, so that all living things bloom and prosper. This hexagram belongs to the first month (February-March), at which time the forces of nature prepare the new spring.*

#### **THE JUDGMENT**

*PEACE.*

*The small departs,*

*The great approaches.*

*Good fortune.*

*Success.*

*This hexagram denotes a time in nature when heaven seems to be on earth. Heaven has placed itself beneath the earth, and so their powers unite in deep harmony. Then peace and blessing descend upon all living things.*

*In the world of man it is a time of social harmony; those in high places show favor to the lowly, and the lowly and inferior in their turn are well disposed toward the highly placed. There is an end to all feuds.*

*Inside, at the center, in the key position, is the light principle; the dark principle is outside. Thus the light has a powerful influence, while the dark is submissive. In this way each receives its due. When the good elements of society occupy a central position and are in control, the evil elements come under their influence and change for the better. When the spirit of heaven rules in man, his animal nature also comes under its influence and takes its appropriate place.*

*The individual lines enter the hexagram from below and leave it again at the top. Here the small, weak, and evil elements are about to take their departure, while the great, strong, and good elements are moving up. This brings good fortune and success.*

#### **THE IMAGE**

*Heaven and earth unite: the image Of PEACE.*

*Thus the ruler Divides and completes the course of heaven and earth;*

*He furthers and regulates the gifts of heaven and earth,*

*And so aids the people.*

*Heaven and earth are in contact and combine their influences, producing a time of universal flowering and prosperity. This stream of energy must be regulated by the ruler of men. It is*

done by a process of division. Thus men divide the uniform flow of time into the seasons, according to the succession of natural phenomena, and mark off infinite space by the points of the compass. In this way nature in its overwhelming profusion of phenomena is bounded and controlled. On the other hand, nature must be furthered in her productiveness. This is done by adjusting the products to the right time and the right place, which increases the natural yield. This controlling and furthering activity of man in his relation to nature is the work on nature that rewards him.

## **COMMENTARIES**

The Oracle correctly predicted that the Clinton Presidency would be quite positive:

- **His First Gua was Hexagram 46 – Sheng – Pushing Upwards:**  
*PUSHING UPWARD has supreme success. One must see the great man. Fear not. Departure toward the south Brings good fortune.*
- **His line (Six at the Beginning):**  
*Pushing upward that meets with confidence Brings great good fortune.*
- **His 2 Second Gua was Hexagram 11 – T'ai – Peace:**  
*PEACE. The small departs, The great approaches. Good fortune. Success.*

Everything was almost perfect for a time to govern and do great things for the people. Clinton's first government was a government dedicated to the social issues and in particular to the health care issue. In spite of the fact he could not achieve a global insurance policy for most Americans (that was for Obama to complete), there is plenty of evidence as pointed out by the Oracle that his policies were positive for the country as well as for the wellbeing of the citizens.

### **BUT NOT EVERYTHING COULD BE PERFECT:**

- **His Nuclear Hexagram was 54 Kuei Mei - The Marrying Maiden**

## **NUCLEAR HEXAGRAM**

### ***HEXAGRAM 54 – Kuei Mei - The Marrying Maiden***

*Above we have Chen, the eldest son, and below, Tui, the youngest daughter. The man leads and the girl follows him in gladness. The picture is that of the entrance of the girl into her husband's house. In all, there are four hexagrams depicting the relationship between husband and wife. Hsien, INFLUENCE (31), describes the attraction that a young couple has for each other; Heng, DURATION (32), portrays the permanent relationships of marriage; Chien, DEVELOPMENT (53), reflects the protracted, ceremonious procedures attending the*

arrangement of a proper marriage; finally, Kuei Mei, *THE MARRYING MAIDEN*, shows a young girl under the guidance of an older man who marries her. (1)

### **THE JUDGMENT**

#### **THE MARRYING MAIDEN.**

*Undertakings bring misfortune.*

*Nothing that would further.*

*A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*

*The same is true of all voluntary relationships between human beings. While legally regulated relationships evince a fixed connection between duties and rights, relationships based on personal inclination depend in the long run entirely on tactful reserve.*

*Affection as the essential principle of relatedness is of the greatest importance in all relationships in the world. For the union of heaven and earth is the origin of the whole of nature. Among human beings likewise, spontaneous affection is the all-inclusive principle of union.*

### **THE IMAGE**

*Thunder over the lake: The image of *THE MARRYING MAIDEN*.*

*Thus the superior man*

*Understands the transitory*

*In the light of the eternity of the end.*

*Thunder stirs the water of the lake, which follows it in shimmering waves. This symbolizes the girl who follows the man of her choice. But every relationship between individuals bears within it the danger that wrong turns may be taken, leading to endless misunderstandings and disagreements. Therefore it is necessary constantly to remain mindful of the end. If we permit ourselves to drift along, we come together and are parted again as the day may determine. If on the other hand a man fixes his mind on an end that endures, he will succeed in avoiding the reefs that confront the closer relationships of people.*

*(1) In China, monogamy is formally the rule, and every man has but one official wife. This marriage, which is less the concern of the two participants than of their families, is contracted with strict observance of forms. But the husband retains the right also to indulge his more personal inclinations. Indeed, it is the most gracious duty of a good wife to be helpful to him in this respect. In this way the relationship that develops becomes a beautiful and open one, and the girl who enters the family at the husband's wish subordinates herself modestly to the wife as a younger sister. Of course it is a most difficult and delicate matter, requiring tact on the part of all concerned. But under favorable circumstances this represents the solution of a problem for which European culture has failed to find an answer. Needless to say, the ideal set for woman in China is achieved no oftener than is the European ideal.*

## COMMENTARIES

The Oracle warned Clinton to stay away from extra marital affairs. Of course, that was like asking him not to eat at McDonalds.

Actually, the warning was for both:

- Bill Clinton, who from his days as the Governor of Arkansas was a womanizer and had many affairs as evidenced by the all the suits these women brought against him:  
*THE MARRYING MAIDEN. Undertakings bring misfortune. Nothing that would further.*
- Monica Lewinsky:  
*A girl who is taken into the family, but not as the chief wife, must behave with special caution and reserve. She must not take it upon herself to supplant the mistress of the house, for that would mean disorder and lead to untenable relationships.*

The Oracle advised him:

*Thunder over the lake: The image of THE MARRYING MAIDEN. Thus the superior man Understands the transitory In the light of the eternity of the end.*

By concentrating on the transitory (engaging in sexual affairs), he neglected the eternity of the end (his legacy). People will not think of the good he did but of his affairs. His name will forever be linked to those of his lovers and in particular to that of Monica Lewinsky.

# ON INVESTING

## GEORGE SOROS' REFLEXIVITY THEORY AND THE I CHNG

There are many mystics in the investment world, but there are three that are the most easily recognized: Mr. Soros, Mr. Buffett and the late Sir John Templeton. They all have works that almost touch on the spirituality of investing. Mr. Templeton wrote a beautiful piece of work on spirituality and was always a strong moral force in the world. Mr. Buffet crystallized for all time the almost mystical wisdom of investing in his letters to his shareholders. And Mr. Soros' has developed the Reflexivity Theory of investing, one of the most elegant descriptions I have ever read of a YANG/YIN cycle as applied to the financial markets. What I love about his Reflexivity Theory is that it has an almost mystically religious tone and it is one of the philosophical concepts that encouraged me the most to publish my studies. I hope he will forgive me if I have misread his theory.

YANG is Heaven, a world of thoughts, ideas and financial strategies. YIN is Earth, the actual market where the real events are taking place. The investor is in YANG (his strategic plan) while observing and trying to understand what is going on in YIN (the market); however, to go through the process of understanding the market, the investor must first go to YIN to get the data. The investor then invests in YIN based on what he planned in YANG. But as changes take place in the market (YIN), he must go back to reevaluate his strategy (YANG).

YIN and YANG reflect on each other, sometimes accurately and sometimes inaccurately, in a never-ending process. By the time the investor invests in YIN with his YANG plan, YIN has already changed forcing the investor to change his Yang plan. Thus each one has an imperfect idea or incomplete perception of what the other is doing. What is a sobering thought is that the imperfection of the YIN is affecting the imperfection of the YANG. Thus there is imperfection in YANG, caused by the changes in YIN and the investor tries to "perfect" or make the right investments in YIN with the imperfect changes he made in YANG. Like light and darkness, YANG and YIN imperfectly reflect on each other, condemned to influence but never to touch each other. A wall separates them. In the case of the TAO, the wall has the shape of an S.

Reflexivity Theory would call the imperfect view YANG and YIN have of each other, a "flaw in perception". There are three "flaws of perception" that the investor would find disturbing. First, the so-called specialists and analysts making all kinds of commentaries and the magnifying effect television and the Internet has on these commentaries. This is called hype. Second, is the Fed's own "flaw in perception" of the markets and how the Fed will react to these flows. And third, is the Chairman of the Fed's deliberate attempts to add to the "flaw" in the investor's perceptions by talking in a language designed to baffle the investors. This is called "jawboning". Is it any wonder the investor might consider this not a "flaw in perception" but chaos?

This same process applies to the relation between the CEO and the price of its stock. The success of a CEO's plan (YANG) increases the price of the corporation's stock in the market (YIN). Such increase leads to arrogance or a flaw of perception deteriorating the CEO's plan and leading to an eventual drop in the stock price. This in turn, leads the CEO to become

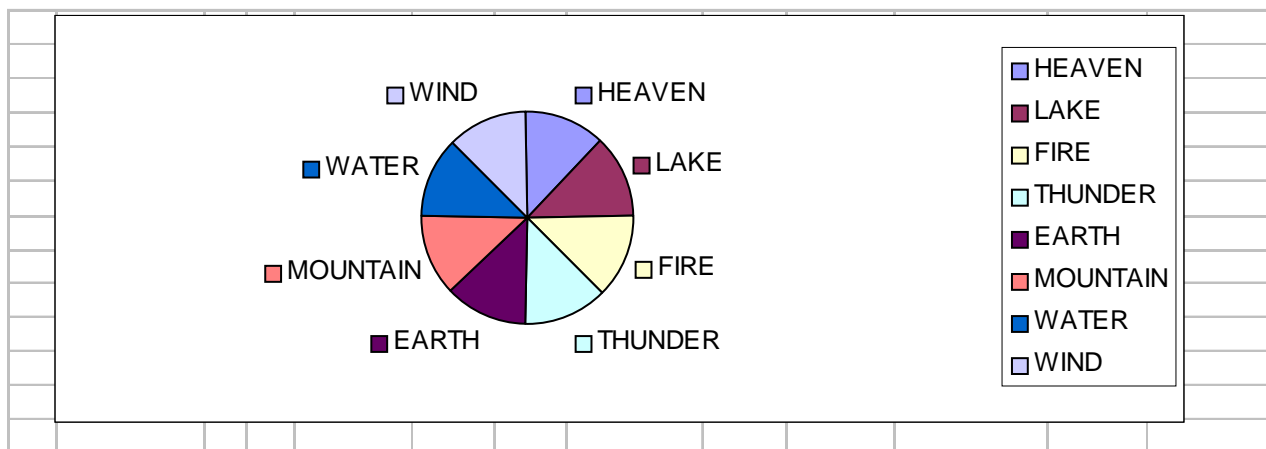


humble, improving the CEO's plans and leading to an eventual increase in the price of the stock. This is the present case (2012) of Chambers and Cisco. Even though the change in YANG neither immediately nor perfectly affects the YIN, in the long run one affects the other and vice versa. For the investor the relation is the same. In an act of pride or flaw of perception, the investor would continue to buy as long as the price of the stock goes up in a momentum play even after the PE has become meaningless. And, in an act of panic, he will continue to sell in a downward momentum play even if the corporation's intrinsic value proves him wrong.

Both the I Ching and Mr. Soros' Reflexivity Theory would contend there could never be a perfect equilibrium in the markets, industries, corporations, CEOs' mental states, or in anything else for that matter. Everything is in a continuous change with the YANG forces pushing for equilibrium and the YIN forces pushing for des-equilibrium. Reflexivity Theory would argue that too much YANG automatically arouses the YIN and too much YIN automatically arouses the YANG, or too much of the CEO's or investor's arrogance leads to a deep reflexivity as a way out for both CEOs as well as investors.

Mr. Soros' Reflexivity Theory would assert that even though YANG eventually leads to YIN, before that happens, however, YANG would beget more YANG without any real fundamentals to support it all the way up to its climax. And once the climax with its turning point comes and the YIN cycle starts, YIN also begets more YIN without any real fundamentals to support it all the way down to a capitulation as the situation worsens much beyond the point of reality. Again, television and the Internet both play a substantial role in affecting the investors' perceptions on the YANG side as well as on the YIN side.

In the picture below, much like a clock, CEOs and investors will find the two great YANG symbols, Heaven and Lake, going down from 12 to 3, and the two lower YIN symbols, Fire and Thunder, going down from 3 to 6. The CEOs and investors will also find the two greater YIN symbols, Earth and Mountain, going up from 6 to 9, and the two lower YANG symbols, Water and Wind, going up from 9 to 12.



We can also picture Reflexivity Theory as a clock:

- 1) The great YANG - Heaven at 12 and moving downwards clockwise representing the unrecognized trend. This is the purest form of truth, the real perception.

- 2) The great YANG - Lake, which represents a successful test of the bullish trend.
- 3) The lesser YIN - Fire, which represents a growing conviction resulting in a widening divergence between reality and bullish expectations.
- 4) The lesser YIN – Thunder, which represents the bulls’ flaw in perceptions marked by a massive buy. (The lower the YANG or the higher the YIN, the greater the flaw in perception.)

Now the self-reinforcing process starts but in the opposite direction and it will be marked by a massive capitulation at the end of the YIN cycle.

- 5) The great YIN – Earth, which represents the climax. This is negation, the root of evil.
- 6) The great YIN – Mountain, which represents a successful test of the bearish trend.
- 7) The lesser YANG - Water, which represents a growing conviction resulting in a widening divergence between reality and bearish expectations.
- 8) The lesser YANG – Wind, which represents the bears’ flaw in perceptions and which is marked by a massive capitulation. (Nothing like a good kick in the ass to keep the investor in touch with reality)

The I Ching says; *“Sometimes an incorrigible fool must be punished. He who will not heed will be made to feel. This punishment is quite different from a preliminary shaking up. But the penalty should not be imposed in anger; it must be restricted to an objective guarding against unjustified excesses. Punishment is never an end in itself but serves merely to restore order.”*

Mr. Soros' Reflexivity Theory would suggest that the great YANG part of the cycle might be real. But once we reach the lesser YANG, it is no longer the fundamentals pushing the YANG but it is only the YANG itself pushing the YANG. It is the price pushing the price. It is the success that begets success without any real effort or merits. The danger lies in that as investors and as CEO's we are heading into arrogance or what Mr. Soros would say is the catalyst for a reversal of the future - the flaw of perception. When the CEO of a corporation thinks he no longer has to be efficient, that the value of his corporation will increase only because his fame brought him to the cover of Fortune magazine; or when the investor believes the same as the CEO, then it is time for the investor to head for the door.

Every investor can sense the danger - PEs over 40, corporations selling for over 10 times their revenues, a bullish VIX, a MACD that tells us to sell, a 200 day moving average pointing downwards, most of the strategists recommending investors should place a high percentage of their asset allocation in equities, etc. And the signal of signals – a Fed acting on its own “flawed perception” out to turn an “irrationally exuberant” market (caused by aggressively dropping the interest rate) into an “irrationally depressed” market by aggressively increasing the interest rates. Yet, in spite of all the signs, few investors are willing to jump out. Part of the problem lies in the fact investors tend to live in the day-to-day and forget that cycles are measured in months or years. We know by the astronomical PEs we are at the end of the lesser YANG but because we live in the day to day, we refuse to accept the climax is coming shortly.

Confucius spoke about sensing danger. He wrote in the I Ching:

*"To know the seeds, that is divine indeed. In his association with those above him, the superior man does not flatter. In his association with those beneath him, he is not arrogant. For he knows the seeds. The seeds are the first imperceptible beginning of movement, the first trace of good fortune (or misfortune) that shows itself. The superior man perceives the seeds and immediately takes action. He does not wait even a whole day. In the Book of Changes it is said: "Firm as a rock. Not a whole day. Perseverance brings good fortune."*

*Firm as a rock, what need of a whole day? The judgment can be known. The superior man knows what is hidden and what is evident. He knows weakness, he knows strength as well. Hence the myriad's look up to him. "*

Mr. Soros, Mr. Buffett and Sir John Templeton are some of the true heroes of mankind; definitely they are some of mine. Mr. Soros took it upon himself to take an active part in ridding the world of communism, to beat the Random Walk Theory, and to make a fortune for himself and for his investors. And he accomplished all of this with great humility. But to me Mr. Soros as well as Mr. Buffett and Sir John Templeton are Superior Men in the sense the I Ching wants us to be Superior Men.

Superior Men do many things, but in the world of investing they must do one thing above all else. They must fight evil and its nature: an attitude based on negation. Speaking of the nature of evil, the I Ching says:

*"Evil is not destructive to the good alone but inevitably destroys itself as well. For evil, which lives solely by negation, cannot continue to exist on its own strength alone. The inferior man himself fares best when held under control by a superior man."*

Mr. Soros' move on the British Pound was a classic example of profiting from negation or the "flaw of perception". Mr. Buffett's investments in American Express, Solomon Brothers, or Goldman Sachs during their darkest periods and the investments in Coca Cola when Goizueta was elected CEO and selling it after Goizueta's death, were classic examples of making the most of investors' negation. And Sir John Templeton's aggressive buying of American stocks during the Great Depression as well as of Japanese stocks after World War II, were classic examples of making a fortune out of someone else's negation.

One of the lessons the I Ching teaches us is that it is not only important to know the fundamentals about a corporation. A good CEO and a good investor must also know about the laws of the Universe. For the CEO and the investor, knowing about the I Ching and the basic forces of YANG and YIN might be of help.

## **THE I CHING AND CAPITALISM**

Any system that acknowledges and works under the YANG and YIN cycle will survive. In essence any system that tries to harmonize with its YIN and YANG movements will thrive. We can find this in nature with its seasons in harmony.

Capitalism survives because capitalism is a system that allows for the free movement of YANG and YIN. When there is a weakness or a YIN or depressed area capitalism will find the way to fill the area. Thus YIN eventually becomes YANG.

On the other hand, where there is much yang in the consumer side, it will take away its demand as more and more producers try to compete for the same market. Once the market is saturated the producers will look for another area to compete and abandon the yang position.

- The I Ching says:
  - *“when the sun is at its zenith, it must, according to the law of heaven, turn toward its setting and at its nadir it rises toward a new dawn. In obedience to the same law, the moon when it is full begins to wane, and when empty of light it waxes again. This heavenly law works itself out in the fates of men also”.*
  - *“It is the law of earth to alter the full and to contribute to the modest. High mountains are worn down by the waters, and the valleys are filled up. It is the law of fate to undermine what is full and to prosper the modest. And men also hate fullness and love the modest.”*

Closed systems that do not allow for supply (YANG) and demand (YIN) to interact are doomed to fail.

Communism was doomed to failure because it did not allow for the interplay of changes based on the YANG or YIN or the supply and demand to take effect. A government implementing centralized planning was interfering with its natural law of change.

Communism is based on the whims of a single leader who decides for everyone else what is best for all the citizens. The same applies to the aristocracy where a single Duke could hold the most talented musician in bond for as long as he pleased. Such systems could never thrive.

Capitalism allows the free exercise of each individual's will much like nature allows the free intervention of everyone's choice or will to come into play.

Microsoft error was in not allowing the free flow of ideas. When an influential group holds on to the past (windows and its obsolete systems) and does not allow the other groups to bring in new ideas (Internet based), then the corporation is doomed to fail.

The I Ching says: *“In times of prosperity every able man called to fill an office draws like-minded people along with him, just as in pulling up ribbon grass one always pulls up a bunch of it, because the stalks are connected by their roots. In such times, when it is possible to extend influence widely, the mind of an able man is set upon going out into life and accomplishing something.”*

## **CHRISTIANSON'S DISRUPTIVE TECHNOLOGY AND THE I Ching**

Professor's Christianson's “Disruptive Technology” is another example of YANG/YIN changes that investors should keep well in mind when choosing their investments. YANG changes are strong changes based on disruptive technologies ushering in new radical changes. Both, management and clients usually resist these YANG changes: management, because they feel threatened by such changes, and clients, because they fear these future waves of change and prefer to ignore them. YANG changes might seem insignificant in the beginning but in the end are very profitable.

YIN changes are superficial changes made up over the same product but in essence they are more of the same. YIN changes might seem as the right changes because they are very much liked by management as well as by the most traditional clients. YIN changes initially are profitable but in the end they lead the corporation to its eventual destruction.

CEOs face a dilemma: whether to support YANG changes and face the anger of traditional clients running the risk of eventually losing market share, or to support YIN changes and please the traditional clients running the risk of losing the corporation. This dilemma becomes more immediate when the corporation holds the number one place in the industry. The CEO runs the risk that pride and arrogance will lead him to support YIN changes and to distance himself from those within the firm who promote the YANG changes.

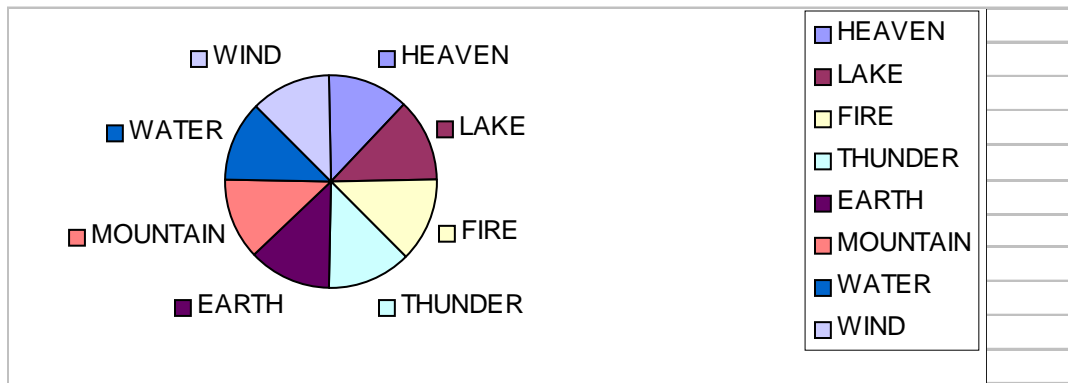
Bill Gates faced this dilemma, and he almost destroyed Microsoft by failing to resolve it in time. The conflict he faced was between the windows-followers who wanted to make YIN changes to the corporation and the internet-followers who wanted to make YANG changes. To his credit, Gates was able to find a solution to his dilemma by supporting the YANG changes and leading Microsoft to embrace the Internet.

The I Ching recommends the CEO to be true to his own self, to always try and make products cheaper, faster, and better. To push his executives to develop YANG changes. It is better to push future unknown but tremendously profitable products and markets (YANG changes), than to try and maintain an eventually dying product in a mature market not matter how profitable it might be at present (YIN changes). The I Ching would advise the CEO: "Do not seek it."

## **THE I CHING AND THE FED**

The Fed tries to counterbalance the economic cycles. Yet it is still subject to its own seasonality. And it is the Fed's seasonality the one we must pay the closest attention. There is no such thing as a soft landing and as investors we should never fight the Fed. It has the power to slow the economy and destroy vast amounts of wealth if we do not get out of the way. Because it is an act of pride to deliberately slow down the economy as well as to deliberately create unemployment to fight inflation, the Fed's actions are usually accompanied by dire consequences as all acts of pride are, none of which affect those who create it.

We as investors must always prepare for the worst even if it never comes. For instance, the famous concept of two stumbles and a jump tells us to buy after the Fed decreases the interest rates for the second time because usually the market jumps after the second interest rate cut. That is the classic point of entry because it signals the beginning of the YANG cycle, when the Fed is desperately trying to flood the market with liquidity to jump-start the economy. But usually within a year the Fed has to start increasing rates to sacrifice the economy for the sake of inflation. This is the start of the YIN cycle and a clear signal for us to go on the defensive. We must assume the Fed is going to overshoot, as they usually do, and create a hard landing forcing it to once again decrease the rates and start the YANG and YIN cycle all over again.



Much like in Reflexivity, on one side is YANG where the Fed holds an idea of what the perfect economy should be. That ideal is Heaven. It is an economy full of “classic economic concepts” with inflation around 1%, unemployment around 4%, GDP around 4%, a stock market growing at a “reasonable rate”, and any other concept the members of the Fed might “see” as acceptable.

On the other side is YIN, the real world, full of greed and fear and with quite a different perception of what a “reasonable rate” of growth should be. The real world is Earth. As the Fed executes its plan, it affects the real economy and its markets. And as the economy and the markets react, they in turn begin to affect the Fed’s perception of the economy and the markets.

And on and on they go, affecting each other without a clear notion of what the other is doing or going to do. To hear someone like Greenspan speak in a language designed to confuse the investors is frightening. But to hear him say he is proud of his ability to deliberately mislead investors and even make fun of it, as he used to do in front of Senators on numerous occasions, is horrifying. The investor begins to realize that both, the man who has the power to improve or destroy the economy, and the CEOs and investors, will never really know what the other is thinking. Worst, the investor begins to think the Fed is out to deliberately make him poor, to lower the “wealth effect” so that he may consume less and avoid a hypothetical inflation which is not present yet.

When the Fed begins to raise the rates it might be acting on a solid perception. But as it continues to increase the rates, in spite of the fact the most prestigious CEOs such as Jack Welch, asks them to stop - then the Fed is going into a “flawed perception” territory. The Fed is clearly moving from Heaven and Lake (the Great YANG) to Fire and Thunder (the Lesser YIN). The flaw in perception is based on the fact the GDP is at 8.5% and the unemployment rate is at 3% and classic economics will not allow for this scenario. It does not matter that this new growth might be due to the end of the Cold War, the fall of the Soviet Empire; the fact people are making mobile phones instead of guns. The Fed must choke the economy and make sure all “excesses are purged from the market”. Increasing the rates for almost a year and maintaining the rates high for almost another year definitely puts the Fed in YIN territory with its “flaw in perception” at its peak. Now the Fed is on Earth and Mountain (the Greater YIN) as its arrogance increases. But now the Fed’s cycle is about to turn, as arrogance turns to fear. It is time for the Fed to ask itself when its policy turned from a real concern to fight inflation to a malicious intent to punish the market for its irrational exuberance.

Now the opposite side of the cycle starts, as the Fed's wish to cool the economy and create unemployment becomes a reality. The Information Age has made sure every CEO knows what the Fed wants, or at least a perception of what it might want. The CEOs have begun to make the Fed happy by providing it with the same unemployment the Fed so desperately wanted. Now, the unemployment is over 8%, the GDP is in negative territory and the Fed would give anything to go back to the same irrational exuberance it so arrogantly disdained. The Fed is facing a recession, the same recession it tried to avoid but which as usual ended up creating.

The Fed will desperately begin to pump liquidity back into the economy. Inflation is no longer a concern but rather deflation together with the same recession and the same unemployment the Fed so arrogantly set out to create. The Fed is now in Water and Wind (the Lesser YANG) as it will overshoot on its measures (Quantitative Easing) by pumping too much liquidity and creating the conditions for the next boom to bust cycle. There is always the danger, as in the case of the Bank of Japan, that the investor, after losing vast amounts of wealth, might lose his confidence in the Fed and view with suspicion any changes in monetary policy aimed at prompting him to invest.

A flaw of perception accompanied by arrogance is a recipe for disaster because it does not allow for any margins for errors. And Mr. Murphy always shows up. Just when the Fed thinks it turned the economy around, a tragedy occurs. Whether they come in the form of wars, financial crisis or terrorists' attacks, they always tend to turn a bad situation into a desperate one.

One of the scariest thoughts is that synchronicity (Carl Jung's concept on which he believed the I Ching was based) points to the notion that Mr. Greenspan brought the U.S. economy down to its knees. Like the owner of the Titanic, who said that not even God could destroy his ship and lived to see how his words perfectly synchronized with the sinking of his ship; so Mr. Greenspan was destined to see the harsh criticism he made over the actions of the Fed of the Depression years perfectly synchronize with his own inability to manage the economy and recreate the perfect conditions for another Depression.

Back in 1959, Alan Greenspan wrote: "Once stock prices reach the point at which it is hard to value them by any logical methodology, stocks will be bought as they were in the late 1920s - not for investment, but to be unloaded at a still higher price. The ensuing break would cause a panic psychology that cannot be summarily altered or reversed by easy-money policies."

This synchronicity became even more probable when his ominous biography called Maestro came out. Just as he got praised for a wonderful job, which perhaps did not properly take into account the crashes of '87, '91, '94 and 2000, he did not escape the synchronicity of creating a super crash. However, the most ominous part was that the Hexagram associated with the U.S. equity market for this period was 26 or The Taming Power of the Great.

Hexagram 26 represented a very powerful supernatural force few CEOs or Central Banks could manage. If you do not believe its power just ask Cisco's CEO Chambers to describe his "once in a 100 years flood" comment, or Hewlett Packard's ex CEO Fiorina to describe her "somebody turned off the light" comment. Even though Hexagram 26 included a beautiful line in the fifth position called "the teeth of a castrated hog – good fortune," referring to the good fortune we had for the '98 and '99 periods, the overall context is one of the Taming of a Great economy with its subsequent renewal a few years later. Synchronicity requires one must pay attention to everything because anything or anyone might hold the key to one's next move.

## **THE I CHING, SEASONALITY AND THE STOCK MARKET**

Changes are inevitable; however, they always take place within a pattern or seasonality. The I Ching describes this seasonality with the symbol of the TAO. It is circle with an S in the middle representing the two equal yet opposite parts of the ONE. It is said that in the beginning there was ONE and after so many eons it decided to fold itself to become two (Heaven and Earth), and later the two folded themselves to become four and then again folded themselves to become eight (Heaven, Earth, Lake, Mountain, Fire, Water, Thunder and Wind). The lesson is that when you do not know who you are because sometimes you feel as Fire as a father or as Wind as a child or as Mountain as an employee or as Water as a friend, and you feel confused and anxious, just keep in mind that you are ONE, the ALL, the Original. So do not be afraid to feel as any of the eight parts of the TAO because you are subject to seasonality like everything that lives in the TAO. Embrace the seasonality and work diligently but patiently to become a Superior Man, the ONE.

Everything goes through these seasonal cycles including economies, industries and corporations as well as the stock exchange. On one side we have the YANG, which represents the period of positive earnings when the economies, industries and corporations are recovering, experiencing a renewal and a subsequent period of growth. In the case of corporations this is a period when the analysts are continually incrementing its earnings expectations and the corporations continue to meet these earnings expectations. On the other side we have the YIN, which represents the period of a drop in earnings when the economies, industries and corporations experience difficulties. In the case of corporations, this is a period when the analysts continually decrease its earnings expectations and the corporation usually fails to meet these expectations.

Sometimes the cycle can last a few months or sometimes the cycle can last a few years. But regardless of the length of time, the cycles are inevitable. It is up to us as investors, to buy when the corporation is turning around or ending its YIN cycle, to hold the investment all the way and up to the end of the YANG cycle, and to sell it when the corporation is beginning to encounter difficulties and its earnings start to decrease. We must then look for another corporation going through its YIN/YANG cycle.

The stock market is of course also subject to seasonality. Its YANG cycle tends to start in November and last till May when it reaches its highest point of pride, while its YIN cycle tends to start in June and ends in October when it reaches its lowest point of panic. The concept of "Sell in May and go away" has worked all too frequently. The reason is because the stock market is part of the ALL and as such it is subject to seasonality. We would increase our returns substantially if as investors we follow this simple rule.

The various seasonal tendencies discovered over the years are:

- The four year presidential cycle.
- The first halves of months versus the last halves.
- The strong tendency for the seventh and tenth year of each decade to be negative.
- The January effect.
- January as a barometer for the rest of the year.
- September as a reverse barometer for the fourth quarter.
- October's tendency to produce downside violence.
- The tendency for the "Santa Claus" rally in December.
- The monthly strength period as one month rolls over to the next.



- The positive tendency of monthly options expiration weeks.
- The positive tendency around holidays.

There are many experts on Seasonality such as Sy Harding, Ned Davis Research, Yale Hirsch and Alan Newman.

## **THE I CHING AND ASSET ALLOCATION**

Asset allocation is a concept that works in perfect harmony with the I Ching because every asset class is bound to eventually go from YANG to YIN and from YIN to YANG.

Asset Allocation holds that, because no investor knows for sure which asset class will have a better performance during a particular year, it is crucial the investor prepare his portfolio on a mixture of various asset class such as Bonds and Stocks in accordance with his profile. As a rough guide, some investors might choose their age to represent the bond equivalent of their portfolios. That is, a 20-year-old investor might have 20% bonds, 75% stocks and 5% cash. While a 70 year old investor would have 70% bonds, 25% stocks and 5% cash. This would be even better if the investor owns his own home, as it would provide him with an additional asset class.

This simple strategy reduces his risk dramatically and provides for up to 90% of the portfolio's performance.

However, we can substantially improve the performance of this strategy by applying the Yin Yang Cycle Theory:

- Identify the various types of assets:
  - Inflation related: Stocks (Domestic and Foreign), Real Estate, Precious Metals and Raw Materials.
  - Deflation related: Bonds and US Dollar.
- Buy those entering the Yang Cycle.
- Sell those entering the Yin Cycle.

## **THE I CHING AND SECTOR SELECTION**

Sector selection is also a concept that works in perfect harmony with the I Ching because every sector is bound to eventually go from YANG to YIN and from YIN to YANG.

Again, Sector Selection Holds that because no investor knows for sure which sector will have a better performance during a particular year, it is also crucial the investor prepare his stock portion of his portfolio on a mixture of various sectors in accordance with his profile. Even though many brokerage houses put out a guide for choosing the percentage of each sector according to each profile, a prudent guide is to have at least 5 sectors with no more than 25% of the total equity investment on anyone sector.

Another way to reduce the sector risk would be to buy the indices such as the Spiders (SPY) and QQQ.

This simple strategy if added to sector allocation reduces his risk dramatically and provides for up to 97% of the portfolio's performance.

However, we can substantially improve the performance of this strategy by applying the Yin Yang Cycle Theory:

- Identify the various types of assets: such as Capital Goods Industries, Capital Goods Technology, Energy, Financials, Consumer Cyclical, Staples, Transportation and Utilities
- Buy those entering the Yang Cycle.
- Sell those entering the Yin Cycle.

## **THE I CHING AND STOCK SELECTION**

Asset Allocation holds that only a small portion of the portfolio's performance is due to stock selection. The figure is roughly 3%. The rest comes from asset and sector allocation.

The I Ching would dispute that belief. Like Warren Buffet, the I Ching is an Alpha generator that disputes the Random Walk Theory. The I Ching would hold that a portfolio of stocks in corporations whose CEOs have the Mandate of Heaven is far superior to any Beta oriented portfolio such as an Universal Mutual Fund.

## **THE I CHING AND HEDGE FUNDS**

Hedge funds, as originally conceived by Mr. Alfred Jones, are one of the better examples of portfolio management based on the YANG/YIN concept. They have some basic characteristics that make it a great way of investing, and my favorite for my clients. Unfortunately, today's hedge funds have little to do with the original concept and are basically over-leveraged portfolios.

Hedge Funds, like any YANG- YIN relation, include three basic qualities worthy of a "superior investor":

a) Harmony. Hedge funds allow the portfolio manager to take the two sides of investing. It allows the manager to do both: buy undervalued stocks (buy the YIN) while at the same time short the strong overvalued stocks (sell the YANG). A portfolio manager that is only allowed to go long (buy YIN), could not compensate for the other side of investing – go short (sell YANG). His position is not humble, as it disdains the YANG side of investing to cover for the YIN side of investing.

b) Commitment. Hedge funds require the portfolio manager invest his own money. By so doing, they create a greater sense of responsibility on the part of the manager. This is what the I Ching would expect of a "Superior Man".

c) Humility. Hedge funds incorporate a multi-manager approach to investing to lower the performance risks. This is a very humble attitude, one the I Ching likes very much.

If you read the Chapter on Hexagram 15 - Modesty, you will find the following:

Hexagram 15 focuses on humility as the key to success. Everything in the Universe is cyclical, including the events that affect the corporation. Empires, countries, institutions, corporations and individuals all go through cycles throughout their lives until they eventually die. The tendency of the Universe is to look for balance or equilibrium. That is, to take away from whoever has much or whoever is at the top of the cycle and to give to whoever has little or whoever is at the bottom of the cycle, especially when whoever is at the bottom of the cycle is humble of heart. Some examples are IBM, Pen Central and Pan Am. These corporations have gone or are going through a cycle or have already completed many cycles and have finally disappeared.

This law of cycles can be seen in the stock prices. When the price of a stock is too high or too YANG (market value is greater than book value), and the market realizes this, it will begin to sell it off. Or, on the other hand, when the price of the stock is too low or too YIN (market value is below book value), and the market realizes this, it will begin to buy.

All tax systems try to follow this law by taking from him who has much and giving to him who has little. Perhaps one of the ways to avoid the inevitability of this law and have our wealth reduced or at least to mitigate its effects is to donate voluntarily part of our earnings, thus giving away before it is taken away.

Richard Wilhelm says: *"This hexagram offers a number of parallels to the teachings of the Old and the New Testament, e.g., "And whosoever shall exalt himself shall be abased; and he that shall humble himself shall be exalted" [Matt. 23:1!21; "Every valley shall be exalted, and every mountain and hill shall be made low: and the crooked shall be made straight, and the rough places plain" [Isa. 40 : 41; "God resisteth the proud, but giveth grace unto the humble" [Jas. 4: 6]."*

Richard Wilhelm also tells us that out of the 64 Hexagrams, this is the only one in which all lines are favorable, and therefore also favorable to invest. The Tao, he tells us, recognizes that Modesty is one of the greatest virtues in man as well as in a good manager, and recognizes that success will come only to those who practice it. *"There are not many hexagrams in the Book of Changes in which all the lines have an exclusively favorable meaning, as in the hexagram of modesty. This shows how great a value Chinese wisdom places on this virtue."*

The wizards of the investment world such as Buffet, Templeton and Soros, are well known for their modesty. They also know the need to hedge to ensure they cover their investments.

## **THE I CHING AND TECHNICAL ANALYSIS TOOLS**

There are many tools used in technical analysis, all of which take into consideration the YIN/YANG cycle. These tools will tell the investor the position of the market, the industry or a stock within the YIN/YANG side of the cycle. These tools will also tell the investor if the stock he is interested in is on the YIN side so that he may start buying or if it is on the YANG side so that he may start selling. For the investor, to follow them closely will make him a better investor, but first he must accept the fact that he must buy at the end of YIN and sell at the end YANG. Most investors have been taught by the major investment houses to buy and hold. But this strategy goes against the very same principle of the seasonality of the TAO.

Many Web sites, including Microsoft Investor or Yahoo Finance, have great charts to make it easy for the investors to follow the technical analysis.

There are a number of basic charts that could easily point to us the actual YIN/Yang position:

### **1) Moving Average**

- Buy the YIN - when the short term average moves above the long term average.
- Sell the YANG - when the short term average moves below the long term average.

### **2) Moving Average Convergence Divergence (MACD).**

- Buy the YIN - when the MACD crosses above the trigger line
- Sell the YANG - When the MACD crosses below the trigger line

### **3) Relative Strength Index (RSI)**

- Buy the YIN - when the readings are below 30 – shares are oversold
- Sell the YANG - When the readings are above 70 – shares are overbought

### **4) Stochastic Oscillator**

- Buy the YIN - when a stock makes a new high and the %D clearly fails to reach or better its old high.
- Sell the YANG - when it makes a new low but the %D fails to confirm that low.

### **5) CBOE Volatility Index (VIX)**

- Buy the YIN - prolonged and/or extremely high VIX readings indicate a high degree of anxiety or even panic among options traders and are regarded as bullish. High VIX readings usually occur after an extended or sharp decline and sentiment is still quite bearish. Some contrarians view readings above 30 as bullish.
- Sell the YANG - Prolonged and/or extremely low VIX readings indicate a high degree of complacency and are generally regarded as bearish. Some contrarians view readings below 20 as excessively bearish.

### **6) Candlesticks**

- Buy the YIN - After extended declines, long white candlesticks can mark a potential turning point or support level. If buying gets too aggressive after a long advance, it can lead to excessive bullishness. White candlesticks, where the close is greater than the open, indicate buying pressure. Long white candlesticks are generally bullish,
- Sell the YANG - After a long advance, a long black candlestick can foreshadow a turning point or mark a future resistance level. After a long decline a long black candlestick can indicate panic or capitulation. Black candlesticks, where the close is less than the open, indicate selling pressure. Long black candlesticks show strong selling pressure.

# Addendum

## MY PERSONAL JOURNEY

Many years ago, as a student at New York University's Graduate School of Business, I came into contact with E. F. Schumacher's works while preparing a research paper. I was delighted to find out that the Noble prize winner and author of "Small is Beautiful" had produced one of the best self-help books ever written under the title of "A Guide for the Perplexed". In his simple yet elegant manner Schumacher draws a map of where we are at present and the direction we should take. His map influenced me greatly.

First he describes the levels of beings such as minerals, plants, animals, humans and spiritual beings, and the marked difference that exists between each other. Each level of being gains an extra element, as it moves higher, that separates it from the lower but that also gives it power and control over the lower level. Such is the case between minerals and plants, between plants and animals, between animals and humans, and between humans and spiritual beings.

Second, he points out that while man's mayor efforts during the last three thousand years has been aimed at studying the methodology to ascend from the human level to the spiritual level; unfortunately, his mayor efforts during the last century have been aimed at studying the lower levels of being. He reminds us of our primary goal to do our utmost effort to move higher. He quotes Saint Thomas of Aquinas –

*"the slenderest knowledge that may be obtained of the highest things is more desirable than the most certain knowledge obtained of lesser things"*

And third, he asks of us to do our utmost to develop our "Heart" and turn it into an adequate (Adequatio) organ so that we may recognize the reality of the spiritual beings and reach for their higher level.

Schumacher's book as well as Thomas Aquinas mandate becomes imperative in today's world because our true happiness lies in becoming spiritual beings, or Superior Men as the I Ching would call us. And the only way to do it is by moving higher. What is a matter of concern, however, is that our scientists have gathered vast amounts of knowledge of the lower levels of being but have made little effort to gather any knowledge of the higher levels of being. We know almost everything about minerals, plants, animals and even humans. But how much do we know about spiritual beings? Very little. Why? Because there are no incentives.

That which we reward, multiplies. Our belief that the solution to our problems comes from without will lead us to "progress" as we continue to develop new technologies to solve those problems. But if we were to decide that the solution to our problems comes from within, then we will find enlightenment rather than "progress".

I began to study the I Ching when I was 14 years old so I was already familiar with the I Ching for at least 10 years before reading "A Guide for the Perplexed". But after reading it I made a commitment to deepen my studies of the I Ching. I decided to rely on the I Ching as my coach to guide me on my path to "the higher levels of being". After 44 years of studying the I Ching, I have no idea how far I have traveled in this journey, and it really does not matter. Some of us might be in the beginning, others at the end of the beginning, while others well on their path to the end. Like the stock market, the path will take you two steps forward and one backwards. What is important is to start moving, to start a friendship and a dialogue with the Oracle so that, through its teachings, we may develop our better selves and perhaps obtain that *"slenderest knowledge of the highest things"*.

It is said that Confucius became a master of the I Ching not only because he was a “Superior Man” but also because he both studied it and taught it for almost 80 years. After studying the I Ching for barely 44 years, I confess I do not consider myself worthy of teaching it. However, I can only aspire to share with you some of the wisdom I may have discovered in the I Ching and hope to help you on your journey “upwards” to become a happier and “higher” being.

## **MY MISSION**

I am a man with a mission: to assist the I Ching in helping people become “Superior Men” as the I Ching would want us to be superior men; that is, people who first recognize the condition in which they find themselves and second apply the proper attitudes to either overcome (if they are in YIN) or improve (if they are in YANG) those conditions. The I Ching would want those who aspire to become Superior men to apply to their lives those attitudes – honesty, resoluteness, integrity, humility, hopefulness – which will get them closer to Heaven (YANG) and reject those attitudes which will keep them closer to Earth (YIN).

The I Ching, however, surely recognizes how difficult it is to exercise virtues and proper attitudes in the midst of misery and squalor. Thus, to ensure people practice the right attitudes, it is my personal opinion (a very personal one), that the I Ching would gladly first help people take care of their future by investing and managing their business adequately; that is, by encouraging investors to choose those investments which preferably go to Heaven.

While the I Ching teaches us how to invest and take care of our future, it really teaches us how to become better persons. My mission, following the example of I Ching, is to help people become wealthier while helping them become Superior Men. I know a few can become Superior Men without achieving financial security; however, my concern is not for the few but rather for the many; that is, for people like myself.

I find this mission of great importance, particularly now in light of two dramatic stock market crashes and the fact that the research department of the great majority of the financial institutions continue to mislead their clients in favor of their own greedy interests. I have found the I Ching to be much more superior in predicting the fortunes of corporations than the analysts of the various financial institutions, particularly when we take into account episodes such as the Enron episode and the Arthur Anderson involvement in it.

Only an innocent instrument, such as the I Ching, can see through the lies of the analysts, the fraud of management and the deceit of the accountants.

## **WHY I WROTE THIS MANUAL**

The most difficult decision I have had to make is to follow my conscience and be a faithful witness to the true value of the I Ching. This same decision I left it to my most trustworthy advisor, the I Ching itself. I asked the I Ching, should I speak publicly in favor of the I Ching, and risk my position as a Financial Advisor? Should I join the voices of the other individuals and speak publicly of the I Ching’s surprising accuracy in advising investors on choosing their investments? Should I seriously propose the I Ching as an additional investment alternative to

be used together with fundamental (continuous increases in earnings per share) and technical analysis? The I Ching says yes. To my surprise the answer was the Hexagram 50 (The Caldron) with no moving lines which is very favorable (Supreme Good Fortune but not for myself but rather for the investors). Nevertheless, because it is an innocent instrument, it warns me that it can only be used to serve high ideals and to make sure personal rewards should not be the main thrust of the effort.

This decision has been very difficult for me. Nevertheless, as I grow older, I have learned that it really does not matter what others may think of me. I keep on thinking about Mark Twain's advice that when we reach the end of our lives, we never regret what we did but rather what we did not do. The price I may have to pay for defending the I Ching as the ultimate coach for CEOs and investors is nothing compared with the happiness I will experience by being faithful to my conscience. Steve Jobs comes to mind:

*"Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma - which is living with the results of other people's thinking. Don't let the noise of other's opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary."*

I decided to write this book for a number of reasons:

- The I Ching works. I have had the opportunity to see how it works up close thanks to the extensive information I receive from so many sources, and the extensive financial instruments I have seen in numerous portfolios.
- We should educate the investor to be open minded.
- We should educate the investor, indeed the man, of the future. The investor of the future will probably live physically isolated from the rest of his neighbors, but at the same time he will be mentally close to the markets by means of all kinds of sophisticated electronic and telecommunication equipment such as the internet, cellular phones, computers and satellites. To him distances will not be important because he will have the necessary telecommunications to access the necessary information to arrive at an investment decision. This is happening even today as more and more portfolio managers leave the large cities and head for the Rocky Mountains and Colorado. Through portals, he will be able to get advice from experts from afar and access libraries and data banks all over the world. Yes, he will have unimaginable computational power but unfortunately, such computational power will not necessarily translate into knowledge of the future or into the capacity to choose based on such knowledge. For the knowledge of the future, he will require of an independent, honest, innocent and completely disinterested advisor such as the I Ching. Whether he accesses the I Ching through computerized programs which prepares the Hexagram for him immediately, or whether he prepares his own hexagram manually, still the I Ching's advice will be very valuable if he approaches the I Ching with the proper attitude: with humility, respect, appreciation, faith and honesty. In this sense, the man of the future will be very close to the man who used the I Ching thousands of years ago for the very first time. To both of them, the I Ching has been and will be a great advisor to arrive at the correct decisions.



- Even though there are millions of people in the world today who firmly believe in the power of the I Ching because they have seen its value in foretelling the future as well as its applicability to almost any subject; nevertheless; only few investors would be willing to talk about it in the open. I know of many who have tried it, but very few would be willing to publicly recognize its value, and even less would be willing to publish a manual for the investors to use it systematically.
- The man of the future will be an idealist, or a Superior Man, like the I Ching itself. Only a man with great ideals will be able to get the best advice and the best words of wisdom from the I Ching. In the future the idealists will have a real place in the world and the so-called pragmatists will be out of favor. After all, the idealists are the real pragmatists. Only the idealists have given mankind the greatest discoveries and have left us as their legacy an appropriate code of ethics to enable us to live the way real human beings should, while the so-called pragmatists have only left us ruin and destruction.
- We have to make a collective effort to interpret the poetic language of the I Ching so that it will become applicable for a given field of knowledge. Only if we all work together will we arrive at some basic conclusions.
- I believe the I Ching is a powerful tool to travel within. It can help us carry out the mandate of two of the greatest men in the history of mankind (to achieve happiness and success):
  - “Work without ceasing to find your own salvation” BUDA
  - “Know thyself” SOCRATES
- The I Ching reduces stress. It does it because it is an ideal instrument both to know the fundamental laws of the universe and to find spiritual harmony. Wise men have always said that obedience is a path to humility and that humility is the true way to spiritual growth. One of the most important vows monks make is the vow of obedience to his superiors. In that way the monk destroys once and for all that pride he might feel when making the “correct” decision. Through obedience he diminishes his ego and focuses on his salvation.
- The I Ching says: *“The fate of fire depends on wood; as long as there is wood below, the fire burns above. It is the same in human life; there is in man likewise a fate that lends power to his life. And if he succeeds in assigning the right place to life and to fate, thus bringing the two into harmony, he puts his fate on a firm footing”.*
- Sometimes we choose an investment, and if by the grace of God, we do well, we then go around feeling we are geniuses. But if the investment goes wrong we feel disappointed. The right attitude should be one of detachment from the investment. If an investor asks the I Ching about a stock and the answer is positive, the investor should buy the stock and wait patiently for the events to unfold. By appealing to the I Ching as a coach for our future key decisions we become more humble because we rely on a portal that can project into the future. Once we learn to trust the I Ching, our level of stress diminishes substantially. It is always comforting to know the I Ching wants the best for us.
- Every individual must make a contribution to society, no matter how small. If I can contribute with the long overdue revival of the I Ching and encourage CEOs and investors to share their own experiences with those of us who believe in the I Ching as a real coach for CEOs and investors, then I think I would have made my small contribution.