

*Dr. Nerenberg's*

# **LAW OF THE KEY FACTOR**

**The Only Management Principle  
That Works**

By Dr. Arnold P. Nerenberg, PH.D.

# **Law of the Key Factor**

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Fairness Management

Volume I

*by*

*Arnold P. Nerenberg, Ph.D.*

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## **Dedication**

This book is dedicated to Nal Pedrosian,  
"The Master of Fairness."

# **Chapter I**

## **What doesn't work.**

No system of management works  
without one “Key Factor.”

No style of management can produce lasting positive results without this one Factor.

And if you saw the title page, you already have a clue. But who remembers title pages?

All systems of management are doomed to failure unless management is also trained in the “Key Factor.”

I’m deliberately keeping you guessing.  
Suspense! Let’s have a round of applause for the “Key Factor.”



The “Key Factor” has been known  
throughout history.

So what’s the problem?

As are many truths of life, this Factor has been forgotten.

Why?

Maybe a lot of people want to keep it that way.

It is not forgotten because it is subtle or tricky or complicated.

It is simple, basic, obvious.

No one disagrees.

It's great.

Everyone recognizes its curative power.

Even people who agree with it mostly don't practice it.

This Key Factor has been missing in systematic training in all organizations, private or governmental.

Why?

By the end of the book I'll tell you.

Lack of this factor leads to  
wars,  
poverty,  
disgruntled employees,  
litigation,  
misery in all forms,  
and the writing of this book.

Lack of the Key Factor leads to employee and employer stress. It even leads to violent revolution, and that is very bad for business (unless you're selling armorments or new governments).

Lack of this Key Factor leads to workplace violence.

Absence of the Key Factor leads to exploitation and consequent wrongful action such as employee theft.

Have you ever met a Manager who wants to make thieves of his or her subordinates? It happens everyday.



Billions of dollars have been spent on books, CD's, DVD's on management training with minimal results at best.

They are all worthless without  
this Key Factor.

Well, worthless may be the wrong term.  
Lack of the Key Factor is very valuable  
to attorneys who represent disgruntled  
employees.

And with the Key Factor,  
many management ideas  
become irrelevant.

Because all that really matters  
is  
the Key Factor.  
So what is it?

# **Chapter II**

## **Law of the Key Factor**

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The Universal Management Principle

To illustrate the name and reality of the Key Factor, a case history will first be presented:

This is a case that shocked everyone in the company. In reality, there could have been a lawsuit against the Manager and against the company. None occurred. But it could have. This exact procedure is not being offered to be followed in its specifics. But it does illustrate the Law of the Key Factor.

John was a sales rep in a photography company. He received a commission of 15% on each sale. The same was true for the photographer, Mike, who took the photos that John sold; he also received a commission of 15%. The telemarketer who initially solicited the customer and set up the appointment received 5% commission. No one received any salary.



One day a customer called the office and reported that John had told her to not buy the photos during his sales appointment. He said he could come by later and take the photos himself and do a much better job at a lower cost. She said she was shocked because she really liked the photos that Mike took. She felt it was unethical, after so much time and expense, that one of its sales reps was undermining the company. The complaint was noted and John's actions were put under scrutiny without confronting him. The customer could have been telling the truth, but maybe not. For the next week, each of his customers were contacted after each sale. It turned out, in two cases, John under-reported the sale and kept the difference. Now the Manager was sure that John was stealing.

There was also concern that other sales reps were doing the same.

The Manager called a meeting of all staff and independent contractors. All the telemarketers, all the sales reps, all the photographers, and all the administrative staff were present.

The Manager started the meeting by stating how interdependent they all were. Each relied on the other to succeed. All needed each other to earn a livelihood and support themselves and their families. He stated it had come to his attention that one of the 20 sales reps was cheating. In so doing he was not just stealing from the company. He was stealing also from the photographer and the telemarketer. This is very personal. He then looked directly at John, pointed at him and said, "There is the thief. He is the one who steals from you and from the company." John turned red. He looked dumbfounded. He finally stammered, "OK! I did it!" The Manager pointed at the door and said, "Leave, and never come back."

Everyone was in shock. For several minutes no one could speak. All just stayed in their seats. No one could ever have imagined that John would do that. And no one could have ever imagined that there would be a public firing.

Later, when people had settled down, many of those present came to see the Manager. Here was the main gist of what was said:

“I was shocked. I’ve never seen anything like that. But you were fair.”

“You protected us all  
from being robbed.”

“You also reduced the temptation of other sales reps from doing the same thing; so you helped protect them from themselves.”



“ We know you personally like John very much; but that did not sway you from administering justice.”

“Wedidnotlikeit.Itwasveryuncomfortable  
and stressful. But it was fair.”

“It made such a strong impression that none of us will ever forget it. I’m sure John won’t.”

What do we learn from this situation?

John left without arguing. In fact, he confessed his guilt. He never sued. He probably felt it was fair.

What did others say? The bottom line:  
“It was fair.” They could accept it without  
liking it because “It was fair.”

They admired the Manager because he kept to the principle of fairness even though it was tough to fire someone he liked.

It increased the respect and trust of all who were affiliated with the company.



It increased their sense of security. The Manager did not play favorites. He protected them as well as the company.

They admired the Manager even more because they knew how difficult it was to recruit and train sales-reps.

It should be noted that sales revenues went up immediately. This supported the notion that others were also stealing, and that justice being publicly served increased the bottom line.

## **The Key Factor**

This bring us to the “Law of the Key Factor”, the only management principle that will work for eternity, the Universal Management Principle. Fairness! The Law of Fairness.

All recognize it.  
Everyone respects it.

No one complains about it.

And! And!. Everyone knows when it is not being applied. Everyone knows when they are being treated unfairly.

## **The Law of Fairness**

The Law of Fairness is universally recognized. It is governed by a strict set of principles, whether acknowledged or unacknowledged.



Fairness entails treating each person with dignity and respect; assessment of the merits and accomplishments are made according to a uniform set of standards regardless of race, religion, nationality, gender, age, etc.

A good rule of thumb for fairness  
is to treat others the way you would want  
to be treated in the same circumstance.

As will be more fully explored later,  
the Law of Fairness  
is highly conducive to profitability.

It reduces  
the costs  
associated with turnover.

It greatly reduces costs associated with litigation such as: worker's compensation, harassment, hostile work environment, retaliation, etc.

When people feel they are being treated fairly, they are much more inclined to follow a policy even if they do not like it. “I don’t like it. I don’t agree with it. But it’s fair.”

It is self-evident that there must be the perception of fairness for any decision, standard, ruling, procedure, to be truly effective.

The greatest compliment any Manager can ever receive is, “That Manager is fair.”

# **Chapter III**

**Must be seen as “Not Unfair.”**

It is best for business for fairness to be the governing management principle.

It has been said that “Honesty is the best policy.” But in reality, honesty is but a ray from the sun of fairness.

And it must be presented such that there is  
achieved a perception of fairness  
by all involved.



First of all, management must see it that way. Everyone else is then more likely to have the same perception.

Of course we're not talking about hypnotizing ourselves. Reality itself profoundly affects perception.

Sometimes it is difficult to really know whether a decision is fair. On these occasions the next best approach is to at least “not be unfair.” That understanding needs to be understood by all. So that when the decision is announced, the employees can tell themselves, and clearly see, that it is “Not unfair.”

Consider the following example.

There is a contest as to who will close the most sales out of 100 sales representatives.

There is tie between two reps, Sal and Joe.

The Sales Manager has to decide who will get the bonus of \$1,000.

One option is to split it in two, \$500 for each runner up; but the Manager decided to give the full \$1,000 to Joe.

His statement to the entire sales force was:  
“It was a contest as to who can close the most sales. The dollar amount of the sale was not a stated condition for winning. Sal and Joe both closed 40 sales during the one week contest. On that basis, it was a tie.

But Joe's total sales were \$10,000. Sal's total sales were only \$5,000. Because Joe did twice the dollar amount of sales, he contributed the most to the profit for the company. Therefore, I decided to give him the full \$1,000 bonus.

Sal and the others felt that the dollar amount should have been mentioned beforehand. The Manager said that if it had only been a few hundred dollars difference, or even up to a \$1,000 difference, the bonus would have been split. But a \$5,000 difference, a difference which amounted to twice as much for Joe in comparison to Sal, requires a different consideration.

Although there was some mumbling, all agreed that it was “not unfair” even though they were not totally certain that it was fair. The “not unfair” judgement was more readily comprehended at an intellectual level than at an emotional level.



# **Chapter IV**

## **Abuse of Power**

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Most people have heard of the old cliché, “Power corrupts, and absolute power corrupts absolutely.” As with most clichés there is much truth contained within it.

Consider the following example:

Chris was an Office Manager at a medical billing company. He was in charge of distributing new billing accounts to one of 10 billing clerks. New billing information was mailed to him from Jones Chiropractics and he received it on June 1. He meant to give it to Jill, but since she was out on the day he received it, he neglected to give it to her the following day. One month later, July 1, the billing was not done. By September 1, the Director of Jones Chiropractics called the owner of the company reporting that no fees had yet been received. The owner then talked to Chris who replied he had given it to Jill. When the owner spoke to Jill, she said she never received it from Chris. Chris denied the accusation and said he was positive he gave it to Jill. The owner reviewed every paper on Chris's incoming bin.

He found the statement from Jones Chiropractics and then understood it was Chris's fault, and that he had tried to cover his oversight by blaming Jill. The owner filed a negative review of Chris's performance and declined to give Chris his annual raise. Chris was very disappointed and was angry at Jill for not covering for him, and thus Chris had to take the blame for his error.

After that day, he was much harder on Jill than on any of the other nine clerks. If one of them was 30 minutes late, he wouldn't say anything. But if Jill was even one minute late to work, he would write her up and put it in her performance review file.

After six months of this Jill became very angry. She reported this retaliation to the owner. Nothing was done about it. After reporting it three times, she realized no one was going to help her.

She took matters into her own hands. She contacted every account of the medical billing service. She told them she was opening her own billing service and would perform the same service for 30% less. One half the accounts switched over to her.

The abuse of power by Chris and the refusal of the owner to do anything had cost the owner one half his business; that was a tremendous loss.



The abuse of power by Chris was costly. The owner's doing nothing just emboldened Chris to become even more abusive to the point where he had started to even yell at Jill in front of others.

The failure to apply the Law of Fairness  
often leads to abuse of power.

By failing to apply the Law of Fairness not only was there a tremendous breach of ethics, there was a tremendous loss of revenue as well.

When the owner learned that Jill now had half his business, he regretted not correcting the unfairness when he had the opportunity, and he had to reduce his fees to his remaining clients so as to not lose them as well. Even though it was too late, he fired Chris and tried -to no avail- to convince Jill to returned to his company.

The abuse of power is the biggest cause of workplace violence. The victim cannot remove the injustice from his thoughts even when he goes home. He even has nightmares about it. When pushed too far, he is more prone to violence and may act out.

The Communist Revolution itself was caused by the abuse of power. Workers felt exploited by capitalists. They felt under-paid and had no benefits, no health insurance or retirement plans. Working conditions were unsafe and unhealthy. Those injustices led to bloody revolutions during which millions died.

Had the Law of Fairness been more universally applied, millions of lives could have been saved.

# **Chapter V**

## **Obstacles to Being fair**

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## 1) Health

If a Manager is in pain or discomfort, it is harder to focus. Also, there is a tendency to be irritable and over-react. The pain can be physical such as a headache or stomach or it can be psychological such as anxiety or depression. If such negative states are not balanced with appropriate mind-body fitness endeavors and creative nutrition, then it is more difficult to fulfill a commitment to the Law of Fairness.

## 2) Insecurity

If the Manager is very insecure in himself, he is more prone to be threatened by the ability of others. He may surround himself with “Yes Men” and be threatened by disagreement

### 3) Appearances

Both male and female Managers have preferences as to looks. Most men, for example, find it easier to be fair or even generous to a good looking woman than to an ugly woman. This is unjust. Both male and female Managers must develop awareness of such tendencies and endeavor to overcome them. Power-Thoughts will be described to assist in this area. For example, the Power-Thought, “Being fair is my first priority.” will help overcome all unjust tendencies. The statement is repeated every five minutes the first day, and then twice an hour thereafter. More will be said on this in the Mind-Body-Workout volume.

#### 4) Past Insults and Complaints

If we feel insulted by someone, it is harder to be positive towards that person. For example, a Manager felt offended by an employee who spoke to him with a tone of superiority. He could not get rid of the feeling. When the employee applied for a specific vacation time, the Manager rejected it with a justification that appeared to make sense logically, but, in reality, the decision was generated by feeling hurt. It was unfair.

Conversely, the same Manager felt complimented by a second employee who said how handsome he looked that day. The Manager liked it. When the employee applied for that same period for vacation, the request was granted. This was unfair. The other employee had requested it first.

## 5) Gender and Racial Preferences

Here is an example of a racial preference:

Two employees were equally competent and valuable to the company. The Manager had to choose one to travel to another country to attend an important series of seminars for three months, all expense paid. Both wanted the opportunity. One was the same race and one was different. He chose the one of the different race to go for the three months. It looked like he was not prejudiced. But he was. He wanted his own race to stay because he knew that within the next month a decision would be made as to who would receive a promotion, and he knew that the one who stayed behind had a much better chance, since the position would start immediately. The employee of the different race would only become aware after it was too late. This racial discrimination is unjust. It could also back-fire in many ways such as racial discrimination litigation or disguised subversive actions.

A negative dynamic was set in motion. The fair action would have been to first announce that the position was soon to be open and make a decision while both were still present. Only a deep commitment to the Law of Fairness could have prevented this injustice even if he maintained his racial preferences. The same dynamic could just have easily applied to someone of the same or different gender under the same circumstances. “Fairness is my first priority.” is the Power-Thought to correct the attitude and commit more deeply to the Law of Fairness.

## 6) Retaliation

Although we are already touched on this issue previously, it is such an important dynamic that it deserves its own section. Retaliation is revenge. It is highly destructive to the victim and even to the perpetrator who can be filled with such negativity that led to it.

Jack had broken his leg while moving merchandise in the warehouse. He filed for worker's compensation which paid him 75% of his salary while he was out of work. His Supervisor called him after two weeks, and asked when he was returning because he needed him. Jack said he did not know. Two weeks later the Supervisor called again and Jack again told him he had not healed enough to return. The Supervisor was very angry and said, "You are just milking this. You are OK, but you just want the time off. You are a lazy opportunist." Jack was very upset. He was also concerned that he could lose his job and be replaced. Two weeks later he returned against medical advice. The Supervisor said in a condescending manner, "I see you've finally decided to grace us with your presence again." Jack felt humiliated.



The Supervisor then proceeded to give Jack all the undesirable jobs that others used to do. This was unjust. Jack complained repeatedly to higher management. Nothing was done. He documented everything and sued the Manager and the company for retaliation and hostile work environment. After several years he won, and was awarded a very large sum of money. This expense could have been avoided by a deeper commitment to the Law of Fairness by the Manager and the company.

## 7) Priorities

I have waited this long to finally answer the question posed at the beginning of the book. Why has the Key Factor, which is the Law of Fairness, been forgotten or neglected for so long. The answer is Priorities. Most people, including most Managers, place their personal needs above the needs of the organization. This lack of loyalty is the basic undermining factor. The correcting attitude is the Power-Thought, “I will put the needs of the organization above my personal needs.”

# **Chapter VI**

## **Financial Payoff for Fairness Management (FM)**

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### 1) Less Turnover

When people feel treated fairly, there is less turnover. This can lead to great savings. The savings are proportional to how extensive the training period is and how much money has to be spent in the recruiting process. Conversely, when employees feel treated unfairly, they are more prone to leave with the consequent expenses of recruiting, training, and severance packages.

## 2) Fewer Workmen's Comp Cases

As in the case of Jack, if higher management would have addressed the issue of unfairness, most likely the worker's comp case would not have escalated, the huge payment for retaliation would have been saved, and thus prevented the loss from the bottom line. Also, an increase in worker's comp premiums could have been saved, which would have been substantial over the years.

### 3) Reduced Absenteeism

When employees feel treated unfairly, they are more prone to missing work. It diminishes their loyalty to the company. On the other hand, fairness increases loyalty and reduces absenteeism.

#### 4) Reduced Litigation

Fairness reduces litigation in general, and lack of fairness increases litigation for hostile work environment and retaliation plus other lawsuits.

## 5) Enhances Morale

Fairness enhances workplace morale and security. Lack of fairness reduces morale which -in turn- reduces productivity and the bottom line.



## 6) Reduces Theft

When treated fairly, employees are less likely to steal from the company. If treated unfairly, they are more prone to stealing because they justify their actions by telling themselves that the company deserves such treatment and they need to compensate for the wrongs done to them.

# **Chapter VII**

## **General Considerations**

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## **Nature**

Nature is always fair. It shows no favoritism. The same law applies to everyone in the same circumstances. No matter who throws a metal object into the air, it always falls at the same rate. No exceptions.

## **Role Model**

By being fair, a Manager is a role model for other Managers and even for employees. By reflecting on the actions of fair people, we increase our power of fairness.

### **Lesser of Two Evils**

A corollary of the Law of Fairness is the “Law of the Lesser of The Two Evils.” For example, a General sends 50 men on a mission that is certain to end in their deaths. But it would save the lives of thousands of other soldiers. Allowing thousands to die is unfair. Sending 50 men into certain death is unfair; but it is the lesser of two evils.

### **Principle of “I can live with it.”**

Sometimes there is no decision that is totally fair, but all parties agree that “They can live with it.” and there are no hard feelings.

## **Context**

Fairness is defined in context of mission. For example, a soldier enlists in the Army. He has a week-end pass to go home. His pass is revoked because of a new possibility of war. Revoking his pass was not unfair because of the context of a military position with the threat of war.

## **Agreement**

Sometimes it is easier for people to agree on what is “not fair” than on what “is fair”.



## **A Culture of Fairness**

A culture of fairness within the organization creates a productive environment. It increases risk taking and productivity. It reduces litigation and illness. It promotes health, physically and mentally which -in turn- increases the bottom line. It creates good morale and harmony. It enhances self expression. It enhances the family lives of employees because they don't take as many problems home with them. It reduces turn-over and theft. It enhances loyalty. It enhances the reputation of the company as a good company to work for. This -in turn- attracts a higher quality of employee. It also increases sales.

## **Characteristics**

Certain characteristics of a Manager will facilitate following the Law of Fairness:

### **1. Rationality**

The individual must aspire to being governed by reason and not by emotion, at least in the role of Manager.

### **2. Secure**

The person must be secure in himself or herself. This reduces the likelihood of needing to be liked so much that it affects fair decision making.

### **3. Commitment**

Being committed to the well being of the organization and to the individuals motivates being fair as the best instrument of serving that organization and those individuals.

#### 4. Compassionate

Being compassionate will help in not being unfair. Such a Manager is prone to treating others as he or she would want to be treated. When combined with the above characteristics, such a Manager will successfully resist being taken advantage of.

#### 5. Loyalty

In the context of the above, loyalty increases security and productivity. The employees trust the Manager; they know he or she might even bend the rules at times, be flexible, in order to protect them and advance the well being of the organization, all of which are part of being fair.

#### 6. Gratitude

Being grateful facilitates effective management. A grateful Manager is grateful for his or her job, is grateful for being a part of the organization and for being a part of the lives he or she touches. Such gratitude will eliminate arrogance and promote humbleness which make it easier for employees to accept fair decisions they don't like.

## 7. Wisdom

Wisdom involves keeping perspective and remembering priorities. It helps in navigating all the grey areas in administering justice.

## 8. Selfless

Although we are all inherently selfish, aspiring to be selfless involves putting the needs of the organization and our employees before our own. Whatever degree of success we have in achieving this greatly enhances our ability to perceive what is fair in any situation.

## **Mind-Body-Workout**

Volume II will describe a full technology to facilitate internalization of constructive thoughts that will lead to more fairness. All of these characteristics can be further developed by using the Mind-Body-Workout System described in Volume II.

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Dr. Nerenberg has been in practice for over 35 years. He is also considered the strongest, drug-free, man in the world for his weight and age (born 1941) on the bench press, and on the T-Bar-Strongman-Pull. He is internationally known for his pioneering work on road rage. He has written many books and likes to share "the bottom line" about all aspects of life. He hopes by combining the power of the mental, spiritual, and physical that humanity will be elevated to ever increasing levels of strength, health, and happiness.



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