Outlook Multiplying by Zero

Here is some business wisdom that I freely borrow from the world of mathematics. I think it is particularly applicable to this special issue of *QwikConnect* with its focus on compatibility in interconnect system design. It has to do with what is described as the "two different types of arithmetic" that are operative in our business life – additive and multiplicative.

An "additive series" is like a high school student who is captain of the hockey team, has a 4.5 GPA, and is also the student body president. Now when it comes to applying to college, does it matter that he or she doesn't also play a musical instrument? The obvious answer is no. A "zero" in Marching Band would not result in a zero overall when it comes to counting up this student's achievements in high school. This, in other words is an additive series:

Star Athlete + Dean's list + Class President = Welcome to Boston College.

Now let's look at a "multiplicative series", which by the way, is the type of arithmetic we always encounter in business—and let me tell you, in a multiplicative series, do zeros ever matter!

A good example is a night out at a restaurant. Let's say a family stops at a new restaurant and everybody enjoys the easy parking, the ambiance, the service and the food. Until what? Until the meal is concluding and mom goes to use the ladies' room and finds it is a total mess. In a world of Yelp and other forms of media, what do you suppose this family's review would read like? I'm guessing it would be something along the lines of "good food and service but the restrooms were filthy." That then is a multiplicative series:

Tasty Food × Good Service × Dirty Bathrooms = We ain't coming back

In a multiplicative series, any factor that is a zero—no matter how long or robust the rest of the chain is—turns the overall result to zero. The problem in business is that folks mistakenly believe that the system they operate in is additive, not multiplicative and as a result believe that "well, I'm doing great in these six things, it's not going to kill us if we drop the ball on number seven."

As is the case in an interconnect system design, even one flaw, one failing, such as a mis-matched plating or an inadequate strain-relief, can turn the overall performance of the cabling to a zero. Warren Buffett makes this same point in terms of money management. He observes that it doesn't matter if you've had 13 years of great returns. If you overreach and have a single year where everything goes to zero, you've turned 13 years of success into failure.

While it may be comforting to believe that the "critical path" systems in our lives are "additive," the stark reality is they are in fact mostly "multiplicative." The big takeaway on this is to stay engaged, to follow up and follow through on all the work that contributes to a successful outcome—no matter how tempting it is to believe that "one mistake won't matter." In business, like most things in life, nothing could be further from the truth.

Ohris Torney

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Publisher Christopher J. Toomey

Managing Editor Marcus Kaufman

Editor/Art Director Mike Borgsdorf

Graphic Designer George Ramirez

Technical Consultant Jim Donaldson

Issue Contributors

Eran Agami Josh Castrey Ken Cerniak Sam Farhat Raul Galvan Ty Geverink Tony Gulrajani Guido Hunziker Lutz Mueller Sam Peeling Tom Pfingston **Jim Plessas Ben Porcaro** Mike Wofford Ali Yassine Michael Yost

Distribution

Terry White To subscribe or unsubscribe, please contact Terry White: twhite@glenair.com

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GLENAIR, INC. 1211 AIR WAY GLENDALE, CA 91201-2497 TEL: 818-247-6000 FAX: 818-500-9912 E-MAIL: sales@glenair.com www.glenair.com

