



Out of Poverty

By Dusty Charern

Win for the world

This paper would challenge all new business owners to let employees to own stocks which will create the best income distribution system for the world. In return, it would help all people in the world to be poverty free.

An employee-owned company would allow all deserved workers to share their ownership to empower all people to work hard for their future.

All entrepreneurs should work hard, be loyal and with 100% transparency required.

The last six years, Quality Research (QR) allow employees to buy stocks. We rewarded them with stock bonus and stock options.



Quality Research (1990-2002)

All minority set aside contracts were, “Cost Plus Fix Free” with low margin from 5-7%, but risk free.

In 1999, QR won the largest contract for \$75 million, we were to provide information technology services, including hardware and software support for the US Army

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Year.	Revenues million \$	Employees persons	Growth-rate (%)
1990	0.065	1	-
1991	0.219	2	236
1992	0.691	21	215
1993	2.1	22	203
1994	2.9	36	38
1995	8.0	108	175
1996	11.2	157	40
1997	12.7	217	13
1998	22.4	259	76
1999	27.4	325	22
2000	40.6	430	48
2001	52.7	521	30
2002	63.3	650	20

Space and Missile Defense Command (SMDC). This contract included our services to maintain all computers for all military personnel in the US and overseas.

We planned to overcome the anticipated year 2000 (Y2K) problems. We worked very hard to prevent any unexpected hardware and software problems for all Army installations in the U.S. and overseas. I told our customers that I would stay with them until trouble free.

The start of the new year 2000, I stayed with our customers at the SMCD Computer Center until 2 a.m. in the morning to make sure that all installations over the world were fine after midnight. There was a three-star Army general working overseas who reported good news with no problem. Our direct customer, Mr. Bob Cornell, was so happy. We celebrated the new year 2000 with our customers' success.

QR first six-year average growth was 151%, the second six-year average growth was 35%.

The last six years, we allowed our employees to buy stocks started price at 48 cent and they sold at \$14 in 2002. Our employees owned 70% and gained their stock value 29 times.

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My stock value gained $(0.3 * 29)$ or 8.7%. Seven executives had earned more than a million dollar.

In fact, if I kept my stocks 100%, I might gain less than twice. I was very proud to share my stock owning to our wonderful employees.

Before we sold QR, employees came and asked me, would I give them their unvested stocks? I answered “yes”. I told them that they were working harder for QR and they deserved it.

Then they arranged the meeting and voted 14 to 0 to sell our company. I was not in the meeting.

This allowed me to retire at age 58. A best business model for all owners in the world to have employee-owned companies.

At QR, we use “Love” to all employees. Now we left all for twenty years, we still love all our friends.

Our customers, our buyer, employees, and all stock owners shared their winning. What a win?

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In 1969, Dr. J. Robert Beyster founded the Science Applications International Corporation (SAIC) which became the largest employee-owned corporation in the world. In fact, the company reported revenue of \$6.7 billion in 2004. He built an enterprise culture to create people power to more effectively serve customers all over the world.

Dr. Beyster's business succeeded because his employees became entrepreneurs. Furthermore, he became known as the father of employee-owned companies. Business owners all over the world should imitate Dr. Beyster by allowing employees to buy their company's stocks and the result would be that "all people would grow together and be poverty free."

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Dr. J. Robert Beyster is an important figure in both the areas of scientific research and built a best income business distribution model. His experiences certainly had an effect on his life's work. Many sources about Beyster note that he was born in Detroit, Michigan, in 1924. In 1929, his father's business was deeply affected by The Great Depression. He learned about the financial crisis at his young age. As a result of his experiences during The Great Depression, Beyster focused on his financial management philosophy at his corporation ("John Robert Beyster").

According to his blog, as Beyster was preparing to graduate from high school and the US was entering World War II, he enlisted in the US Navy. Based on test scores, the Navy sent him to college at the University of Michigan where he was enrolled in the V12 Navy College Training Program. He was commissioned as an ensign and eventually served on a destroyer based in Norfolk, Virginia, before leaving the service six months later.

He subsequently earned a Ph.D. from the University of Michigan. Beyster worked as a scientist for the Westinghouse Atomic Power Division in the company's nuclear submarine program in the 1950's. He soon followed many of his college associates to New Mexico to work as a research physicist at the Los Alamos National Laboratory. In 1957, he became the chairman of the Accelerator Physics Department of General Atomics where he remained until it was bought by Gulf Oil in 1968. His career as a nuclear physics researcher was cemented with his important publications regarding the US Federal National Laboratory Standards. He dedicated twenty-five years to his work as a researcher ("John Robert Beyster").

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In 1969, at the age of 45, Beyster founded Science Applications Incorporated (SAI), a consulting firm with a handful of scientists working on government contracts related to nuclear power and nuclear weapons effects study programs. The first office was in La Jolla, California. Instead of keeping stock in the company for himself and sharing it with a few top managers, he chose from the very beginning to reward the performance of employees with stock ownership. “Someone who is involved with the company should own a piece of it,” asserted Beyster. “Those who really perform well are rewarded by having their stock increased. People involved in the company should share in its success” (“Our Founder”).

Initially the SAIC’s focus was on projects for the US government related to nuclear power and weapons effects study programs. Unlike other businesses, SAIC’s ownership and profits belonged to the company’s employees. This shared ownership was accompanied by shared and motivated entrepreneurs who helped the company to grow and diversify. Today, SAIC performs projects for commercial customers and the government related to information technology, system integration and solutions, national and homeland security, energy, the environment, space, telecommunications, health care, and logistics. When Beyster retired as a chairman of SAIC on July 16, 2004, the company had annual revenue of \$6.7 billion and over 43,000 employees (“John Robert Beyster”).

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Beyster built SAIC from his concept of fairness to all. He did not like the CEO rewards statistics in the US. He mentioned that the average CEO income was 400 times that of the average employee. Twenty-five years ago, one percent of executives received eight percent of corporate revenues compared to sixteen percent of corporate revenues today. He was uncomfortable with the number of shares given to executives. He liked his wife Betty's motto, "None of us is as smart as all of us" ("John Robert Beyster").

During its formative years, SAIC was successful because Beyster strived to maintain the company's original values that included a people-first philosophy, entrepreneurship, a flexible and decentralized organization structure, technical excellence, high standards of ethical conduct, employee ownership, and focus on customer service. He believes that as a result of this philosophy, SAIC grew to be the largest employee-owned research and engineering firm in the nation, achieved a positive net income every year of operation, and made important scientific contributions to the country and the world ("John Robert Beyster").

Beyster left behind a lasting legacy and a lasting tribute in his employee-ownership philosophy and in his entrepreneurial spirit established at SAIC. When the SAIC Board of Directors honored Beyster's contribution to the company and his 35 years of visionary leadership, they immediately thought of his longstanding commitment to entrepreneurial employee ownership. In fact, in 1986, SAIC made a decision, approved by the board, to honor Beyster by making donations in his name to both the Beyster Institute and the Foundation for Enterprise Development (FED).

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Beyster's commitment to employee ownership and his passion for entrepreneurship led him to establish the FED. The foundation helps governments and private organizations use entrepreneurial employee ownership as an effective social and economic strategy. As part of the foundation, the non-profit Beyster Institute for Entrepreneurial Employee Ownership was launched in 2002. The Beyster Institute has been incorporated into the University of California, San Diego (UCSD) Rady School of Management. As part of the UCSD Rady School, the Institute promotes global entrepreneurship, employee ownership and economic development through consulting, training and international projects ("John Robert Beyster").

In 1994, I attended an FED conference in San Diego. Since that conference, I have been very impressed by Beyster. He was the conference guest speaker and gave a wonderful speech motivating his audience to create a culture of employee ownership. His presentation covered all aspects of the entrepreneurial spirit including highlights of his philosophy that made SAIC such a success:

1. He wanted to inspire his audience to allow employees to have equity. He told the attendees that the employee salaries would pay for their families' bills, but equity would allow them to retire earlier. Then, they could spend their money to improve the quality of all lives.
2. He told his audience, "A small piece of the largest pie is much bigger than the whole piece of a tiny pie," suggesting that 1% of \$8 billion was \$80 million which was 80 times better than 100% of \$1 million. That was why he elected to own a small piece of SAIC and SAIC's 43,000 employees owned the rest.

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3. He did not like the idea of raising capital through the American public stock system. He controlled his stock, selling to his employees four times a year, and he showed how SAIC employees wanted to buy a few times higher than people wanted to sell. These statistics explained to his executives why SAIC never ran out of capital. Why should SAIC be placed on the stock exchange and change its successful internal business freedom? He fought for SAIC to hold its employee-owned status until he retired in July 2004.

4. He applied Total Quality Management principles to SAIC procedures to improve productivity for its customers and employees. His executives, leaders, managers and employees had to follow all SAIC written standards. The most important standards were “The SAIC Ethical Practices.” These processes produced a defect-free system for SAIC and built a sound corporation that could achieve its business standards with other partners.

5. He promoted FED activities from his heart and his professional will tirelessly. He promoted all SAIC branches, business acquisition units and subsidiaries as he trained audiences to grow new entrepreneurs.

6. My thanks go to Beyster. Before we sold QR to SAIC in January 2003, SAIC requested that I buy approximately \$2 million of SAIC stock. After two years, its price increased by 60%. My stock value rose to \$3.2 million. Since 2004, after Beyster’s retirement, SAIC’s stock value has not gone up much. I was very lucky to sell my SAIC stock as it experienced a very high growth rate.

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7. The main reason that SAIC bought QR was our weapon simulation systems. The next reason was our information technology support to the US Army Strategic Defense Command and the US Army Corps of Engineers. I pointed out to our employees the better opportunities and swifter career advancement available to them at SAIC. Now our key managers have advanced many times. Our information technology team won a very large NASA contract. We made the right decision for all employees to sell to SAIC. I was very glad to make the right decision for our employees and SAIC. We had to make our buyer a winner as a result of the purchase. Considering the happiness of both sides in a business deal is a good business practice.

In 2007, the FED published *The SAIC Solution: "How We Built an \$8 Billion Employee-Owned Technology Company"* by Beyster and co-author Peter Economy. In this book, Beyster provides an inside look at how SAIC became one of the most successful research and technology companies in the world. To build a flourishing business, Beyster offers 12 simple rules:

1. Corporate Planning: Each year, all operations were designed to serve our customers' requirements with both financial and technical controls. It provided local multiple cost centers to allow flexibility to serve. This included SAIC's strategic five-year plan to provide insight for future actions.

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2. Growth Strategy: It included quality control, technical excellence, a sound reward system, and a corporate growth control rate from 15% to 30%. If the growth rate is below 15%, we would not be able to maintain continuation of long-term sustenance. If the growth rate is above 30%, it might risk our quality and technical excellence.

3. Profit Control: Corporate after-tax profit rate from 3% to 4% was sufficient for long term growth potential. Stock and cash bonuses were a part of profit incentives for employees' performance. Capital for technology investment, productivity improvement, best tools, and process control were a part of profit.

4. Corporate Stock Owning: Employees' stock buying options allowed SAIC to grow more with unlimited capital. They would be free and flexible to grow their business the way they wanted.

5. Internal Capital Investment: Each year, a part of profit was invested wisely for high pay off and low risk investment by certified and qualified executives.

6. External Capital Investment: Long term strategic investment from corporate profit and asset growth could grow new markets at a much faster pace. New acquisitions allowed SAIC to add new niches, new customers, new employees, new fields and new technology and to diversify business market shares.

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7. Organization Structure Efficiency: The organization would allow changes to reflect its best productivity. It also allows each section to service their customers with a cohesive teamwork with no waste and support the overall corporate management processes.

8. Marketing Strategy: Effective and flexible marketing plans could be built to serve corporate, groups, and divisions potential. Each year, corporate marketing teams would be diligent to consider all marketing opportunities. For large procurements with high chance of winning the corporate management would provide financial budget, technical support and help writing its winning proposal.

9. Freedom: SAIC considered freedom to think, to learn, to perform, to manage, to build business, to make decisions, and to solve business problems the most important practices. These freedoms would maximize corporate and local potentials.

10. Quality: TQM processes were built into the corporate level, all groups, and all divisions to increase corporate productivity continuously.

11. Human Resource Strategy: SAIC recruited talented technical, management, and marketing professionals to perform the best jobs with the best training and advancement potential to best serve its customers. All employees would advance to their potential.



12. Productivity Improvement Process: SAIC wants all employees to perform at their best potential for its customers. Customers should always have their best buy from SAIC quality products and services.

Reasons for being an employee-owned company.

- All twelve simple rules would flourish its business with effectiveness and flexibility.
- The best people empowering system, allow its best company Recruitment, Retaining and building its Reputation (RRR).
- Long term sustainable growth with love, care, peace, happiness and success.
- Employee-owned concept would make all people in the world, “Out of Poverty”.
- Employee-owned concept would create a new concept of loving all people in the world as one family.
- Employee-owned concept would create a civilization for all people in the world to be safe, free fair and win for all.

Conclusion: It is my pleasure to present what I have learned in my life to campaign Dr. Beyster concept to my beloved audiences. Love is a big enough house for all people in the world. **Good luck.**

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