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PART I

Essential Qualities of Great Managers

The primary characteristic a manager must have, declares Harold Geneen in the opening essay, is emotional commitment; otherwise, high standards will not be set and goals will not be met. The managers in Part I aren't interested in an organized desk or a meticulous day planner; they're looking for the right mind-set. For Charles Tandy, the man behind Radio Shack, that means bringing an entrepreneurial spirit to the job. For Robert Lutz, former president and vice chairman of Chrysler, it's about right-brain thinking; that is, relying on intuition and guts, not data-driven analysis. For John Fox, founder of Minute Maid, an essential quality is courage. Great managers, he writes, must have the courage to gamble, to delegate, and to be tough. Geneen likens managing to running a marathon, and the ideas presented in Part I create an excellent starting line.

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HAROLD GENEEN
1910–1997

Harold Geneen inherited a stodgy telecommunications company when he was recruited for ITT's presidency in 1959—he then transformed it into a multinational conglomerate powerhouse, pumping up annual sales from $766 million to $22 billion over time. Juggling ITT was not much different from his father's job of managing concert performers. Geneen was born in Britain, but his family moved to the United States when he was less than a year old. After attending a Connecticut private school, he began work as a page on Wall Street, then pursued an accounting career. Geneen held several finance jobs with such firms as American Can Co. and Bell & Howell. Then, in 1956 he was hired as an executive vice president of Raytheon. His mission: to turn around the ailing company, which he did, and after three years he was tapped by ITT.

In less than 10 years, Geneen built ITT into a conglomerate of 150 affiliated companies operating in 57 countries, managing interests that varied from the U.S. president's hotline with Moscow to Avis Rent-A-Car. Never liking the term "conglomerate," he preferred to label ITT "a unified-management, multiproduct company." People were important to his success formula: "We set out to hire the very best people in the industry that we could find. I did not want glamorous, glib-talking men who got by on their coiffured good looks or family connections."

He also understood that for a true multinational conglomerate to operate efficiently, control was everything. To personally keep track of his empire, Geneen had a dozen or so attache cases lined up in his office, each stuffed with plans and reports. At times he could be overbearing, and the discipline he inflicted on others has been likened to that of the Catholic Church or the Communist Party. His managers were subject to continuous scrutiny within a system of checks and balances. For Geneen, "the highest art of professional management requires the literal ability to 'smell' a 'real fact' from all others." He also believed that "the essential element" for all managers is "emotional attitude," which he wanted to be as intense as a nuclear explosion.

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The Essential Elements

Harold Geneen

The key, essential element in all good business management is emotional attitude. The rest is mechanics. As I use the term, management is not a collection of boxes with names and titles on the organizational chart. Management is a *living force.* It is the force that gets things done to acceptable standards—high standards, if you will. You either have it in a company or you don't. Management must have a purpose, a dedication, and that dedication must be an emotional commitment. It must be built in as a vital part of the personality of anyone who truly is a manager. He or she is the one who understands that management must manage.

The attitude is a self-fulfilling one, too. The man who says, "I must do this," will stay at his task until all hours, trying again and again and again, until he finds a satisfactory answer. The answer must be, above all, satisfactory to him. And he will know it. There may be seventy-eight ways to do something and only ten of them with satisfactorily good answers. The manager will continue to probe and to seek for one of those ten answers. It may not be the best of all answers. But he won't settle for anything lower than one of those ten. The next time he will strive for yet a better answer, higher on the list, learning something new all the time, and

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achieving better results as he goes along. He will work this way because of his emotional attitude, more than anything else, and that attitude inevitably will be emulated by those who work with him, so that it becomes a way of life in that organization. The urge to do what must be done is powered

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The key, essential element in all good business management is emotional attitude. The rest is mechanics.

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by deep-seated emotion, not logic. He might not be able to explain why he works the way he does, or why he makes this choice and not the other one. He does it because he "feels" that it is right. That feeling is transmitted to others who work for him or with him. They know his emotional commitment includes them as well as the goals of the enterprise. They are willing to follow his lead because of that "feeling" which makes him the kind of person he is.

No matter if you are managing a business, a church, a scout troop, a career, or your home life, I believe that the test of management is whether or not it achieves the goals it sets for itself; the higher the goals, the better the management. In fact, if the level of goals is too low, I wouldn't call it management at all; anyone can do it. A marathon runner is someone who can run twenty-six miles 385 yards *in a given amount of time,* whether the standard is two and a half, three, or three and a half hours. But what about the fellow who runs it in ten hours? He's not a marathon runner; he's a guy wearing short pants and a pair of running shoes who is out getting some fresh air. We are defining the runner in terms of his *performance.* So do we define a corporate manager.

If the manager is to accomplish his objectives, he absolutely has to get the information necessary to make the right decisions. The steps along the way define themselves as he goes toward his objectives. To surmount each step, he

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needs solid facts so that he can recognize the realities of situations. His decisions, if based realistically upon reliable information, will not be all that difficult. Facts are power.

Management is not a collection of boxes with names and titles on the organizational chart. Management is a *living force.*

They are crucial to good management. In order to get the straight facts in any situation, the manager must ask straight questions, and to do that he must do his homework so that he has a deep understanding of what he is encountering. If he has a good record of making the right decisions, he can help people around him to be effective and successful in their own areas, so that their total accomplishment is greater than the sum of their individual parts. That is leadership. And if the leadership is successful, it creates a momentum in the enterprise which enriches the participants with such a feeling of pride and energy that they produce results, short-term and long-term results, which they themselves never thought possible. I've separated the elements here, but in practice they all move along together, en masse, nourishing each other like the fusion in a nuclear reactor, creating the fire, the pressure, and the power which produce energy. All this is the critical emotional content of good management.

This is the emotional horsepower that drives people to do things, drives them to keep at it because they feel they *must* get the answer, drives them to push on until they get results that are satisfactory to them. Of course, you don't always succeed in every effort. But then you recognize it early on, and you get out of that situation. You cut your losses and go on to something else. If you are a manager, you don't drift.

1984

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JOHN M. FOX

As founder of Minute Maid, best known for its orange juice, John Fox had to manage through more than a few downturns, including bad harvests, bad investments, and depressed markets. Still, he built such a respectable company over 15 years that Minute Maid merged with Coca-Cola in 1960. Early in Fox's business career, entrepreneurship was not on the horizon. After graduating from Colgate University in 1934, he took a sales job with IBM. Nine years later he was a branch sales manager with his eye on a vice presidency position; however, corporate life was turning out to be less rewarding than he hoped.

To truly prove himself, Fox wanted to build a small business from the ground up, so he resigned and hooked up with a group of engineers dedicated to developing commercial uses for scientific discoveries. At the time, they were looking for someone to head a small company called Vacuum Foods that made orange juice concentrate and powder. Fox spearheaded the search and then elected himself. The early years were tough as Fox dealt with undercapitalization and constant threats of bankruptcy. To introduce the new product, advertising was crucial, and that alone ate up a huge chunk of money. Fox changed the name of the company to the more consumer-friendly Minute Maid in 1945 and became the industry leader.

Tough times hit in December of 1957 when a freeze struck Florida, threatening orange groves, and Wall Street beat up the company until its stock was trading at a mere 4⅜, a nine-year low. To save his ailing company, Fox moved the headquarters from New York City to Orlando; converted salesmen into brokers working on commissions; sold off expensive surburban Florida property to purchase more affordable rural land for groves; and used innovations to save most of the crop. Ten months later the stock was trading at 18, and two years later the company merged with Coca-Cola. In *What It Takes to Be a Manager,* Fox provides his blueprint for success, and naturally his first prerequisite is *Creative Ability*. Toward that end, he describes his own experience in tapping the subconscious mind, a power that he believed could be developed.

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What It Takes to Be a Manager

John M. Fox

In selecting this subject I realize I am venturing into dangerous territory. There is very little agreement on the matter—the business school professors rarely speak from experience—merely from observation—and a lofty observation at that since they haven't been troubled with the little problem of "meeting the payroll."

The managers themselves are so busy that they rarely have time to analyze just what it is that makes them good managers. What is more, they are by nature realists and their failures and mistakes fog over the elements of successful management that they practice—much of it by instinct rather than planning.

To be at all objective about this controversial subject, one must review the three broad phases of management evolution that have developed during our own lifetime. Fifty to seventy-five years ago nearly every company in America was managed by its owner. Some of the most exciting chapters of our industrial history were written by these brilliant, farsighted and tough-minded men like Henry Ford, [Harvey S.] Firestone, George Westinghouse and their ilk.

With the growing need for capital to expand, the ownership shifted to the public. Guidance of the companies remained for the most part in the hands, strong hands they

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were too, of such giants as T. J. Watson of I.B.M., Sewell Avery of Montgomery Ward, Walter Chrysler, and hundreds of others, many of whom are still running a good show in their respective companies. But a one-man show.

As our businesses have become more complex with the need for special knowledge in production, taxes, marketing, engineering and finance, the scope of running a company widened to a vista beyond the ken of any one man. The team management idea was born. It is perhaps best exemplified by General Motors—one of the earliest and probably still the most successful proponent of this scheme.

The team concept has some very real hazards, however. The very need for specialization has had the tendency to produce men who have a kinship to finance or sales or production. This often develops an over-emphasis of their specialty to the detriment of the whole operation. This was exemplified in the recent book and movie, "Executive Suite." Here we saw the company controller, who had gone "overboard" on the importance of the financial scoreboard side of the business. As the war ended, our managements awoke to the great need and the great lack of qualified top management men. Executive development plans became a fad—nearly every major company had one. "Job rotation" became the watchword. Advanced management courses at the universities were in great demand, and still are. I am not in any way belittling these efforts—some have proven very effective. Others have failed miserably. You all probably know examples of each. There is emerging, however, a feeling that finding our leaders of tomorrow is more fundamental than merely appointing a group of "crown princes" who may or may not have what it takes to be good managers.

It was my good fortune to attend a roundtable conference at Columbia recently. The subject of the discussion that took place one evening a week for two months was "Management of Expanding Enterprises." The topic that came in for a heavy concentration of study was this one of selecting and training the men who could successfully manage a growing enterprise.

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From the statements and convictions of this group of successful operating executives, plus some additional observations of other business leaders who have demonstrated their ability to field competent management teams, I have extracted six fundamental qualities that are found or should be present in men destined to command in business. This list I'm sure is not complete. I must hasten to point out that all of these qualities are rarely, if ever, found to their fullest in any one man. Such a paragon of perfection probably does not exist. The list may be useful, however, to anyone who wants to climb high on the management ladder and who is willing to pay the price that the climb exacts.

The first qualification is CREATIVE ABILITY. Business is looking for *men who can think*. There are many synonyms for this quality. It is sometimes called vision—also imagination. Whatever the handle, remember that nothing starts without an idea behind it. It is the lifeblood of an organization. It is a must for success. It is an essential of all growth. To be a good manager, the ability to think creatively, constructively and clearly is essential. The leadership role in management calls constantly for resourcefulness. The fast moving, continually changing pattern of the modern competitive business world demands this quality if success and satisfactory profits are to be the goal.

There are many misconceptions about this ability to have ideas. One of the most outrageous statements on the subject that I have ever heard came from a professorial friend of mine who said that a man should change jobs and preferably businesses after he had produced ten good ideas. Quite to the contrary, it is well recognized now that the brain not only never tires, it actually becomes more productive and efficient with use. Moreover, no one has yet been able to utilize more than a small fraction of the potential in his brain.

The ability to think creatively can be developed. One of the greatest aids to this worthwhile pursuit is the faculty of turning loose the tremendous thinking power that is latent in every one of us. This is the *use of our subconscious* minds.

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Those of you who have learned to tap this great human resource know its tremendous value. For those of you who have yet to experience the wonder of having the solution to a knotty problem reveal itself to you as you are shaving in the morning or at some other unheralded and unplanned moment, one of life's greatest thrills still lies ahead.

Remember above all that your superior is expecting you to bring him solutions—not problems.

My own first such experience took place early in my sales career with I.B.M., and before I had heard or read anything about the subconscious mind. I had sold my first installation of tabulating equipment to a textile firm in New Bedford—the Wamsutta Mills. I'm afraid that in my great anxiety to make that ice-breaking sale I oversold the customer rather shamefully. It wasn't until the machines were delivered and the installation of the accounting system was under way that I awoke to the fact that I had promised results that the machines were not designed to produce. I spent several anxious, then panic-stricken, days trying to make the equipment live up to my claims.

Finally, nearly at the end of my rope, and quite seriously wondering if I would be fired when Wamsutta learned the truth and the machines were sent back, I spent one whole evening at the New Bedford Hotel recapitulating and reviewing the elements of the problem. With no glimmer of an answer, I went to bed—exhausted and completely discouraged.

The next morning as I was sitting in the bathtub, the answers to my problem started to come to me as clearly as if they were being written on the tile wall around the tub. I jumped out and without bothering to dry myself hastily wrote down the procedure that had seemingly just popped into my mind.

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Without wasting time on breakfast, I tore down to the Wamsutta office—punched up the cards needed to test the program and started up the machines. It worked exactly as I had visualized it and exactly the way the Wamsutta people wanted it!

Many years later I learned that this was a demonstration of my subconscious mind at work. I learned that it is best to feed the elements of a problem to your mind just before you retire. Then while you are in repose that night or perhaps after several nights, the solutions will come to you—almost like magic. And, what is much more important, the solutions will represent clearer and sounder thinking than you can usually produce with your everyday conscious mind. The old axiom of "Let's sleep on it" is based on this power, and I heartily recommend it to you as a valuable tool in your management kit.

Just a few other thoughts on creative ability. Be curious—ask questions—keep an open mind to the other fellow's ideas—and listen—by all means learn to listen!

Remember above all that your superior is expecting you to bring him solutions—not problems.

The second characteristic to be looked for is JUDGMENT. Webster defines this somewhat elusive quality as the "ability to judge justly or wisely, especially in matters affecting action." It is also described as "good sense." *Men who are destined for leadership must be men who can make sound and wise decisions.*

This sound-thinking qualification goes hand in hand with the previous creative thinking attribute. Sheer brilliance of innovation and invention can be disastrous without a counterbalance of common sense.

I had a superior early in my sales career who was quite famous throughout the company as a trainer of men. He had an impressive record of raw college graduates who had started under his tutelage and had become high producers and often good managers in a remarkably short time. A pet aversion of his was people who would not use their heads.

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Instead of solving our problems for us when we would come running into his office with some headache that had us licked, he would tell us to turn around and read out loud the sign tacked above his door. This sign read, "AS A LAST RESORT USE COMMON SENSE."

There have been countless examples of great, earth-shaking fiascos that came about because someone in a key position failed to use good judgment—forgot the fundamentals of simple common sense.

The inventor of the modern self-service store, Clarence Saunders, fell into this trap not many years ago. After his spectacular success with the Piggly Wiggly Stores, forerunners of all of today's supermarkets, he went overboard for the completely automatic grocery store.

He called it the Keydoozle Store. His dream store worked something like this. As the customer entered, he was handed a little metal gadget that looked something like a pistol. The merchandise was racked around the store on display as single units each behind a glass panel. Under each item there was a keyhole-like aperture into which the customer poked his pistol-like key. He would pull the trigger once for each item he wanted.

This action would record on a punched tape the price of his purchase and set up the behind store machinery to assemble his order on a conveyor belt. By the time he had made his selections and would walk to the cashier who would run the tape from his hand machine through a computer, the entire order would be assembled and boxed and waiting for him in the front of the store.

Quite an idea! No pushing carts around a block-sized amphitheatre. Space would be conserved. Time would not be wasted waiting in line to check out. Labor would be saved because hard-to-maintain mass displays would be eliminated. In principle it was great, but the idea was a huge flop. Why? It took more maintenance men to keep all the machinery running than any store operator could afford, and even then it would invariably break down on Fridays or Satur-

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days during the heaviest shopping hours. The chaos that resulted made it a joke.

This sign read, "AS A LAST RESORT USE COMMON SENSE."

Is judgment something people are born with? I think not. I go along with an old college professor of mine who once lectured my class on how to develop judgment. It was his advice that we should take every opportunity that presented itself to practice and exercise our judgment. He recommended that we study public issues currently under discussion in Washington. Read all we could about them. Read the commentators' and columnists' opinions, but reserve our decision until we had gotten both or all sides of the argument. Then carefully weighing the evidence, the facts and opinions that we had uncovered, we should make up our minds on the issue. We should write down our considered position on the matter. Later, when time had finally brought the right answer to light, as it nearly always does, we should compare our position with what turned out to be right. "This practice, if started early enough in life, and continued for as long as you live, will develop our wisdom without paying the price of expensive mistakes," my professor said. I didn't follow his advice for very long, but I wish I had.

A final thought: on this matter of sagacity. A negative, fault-finding approach is not a substitute for judgment. Every new idea can be killed at its birth by a superior who can see nothing but the reasons why something won't work. Enthusiasm and a positive attitude are an important part of the balance required of a leader whose judgment and decision making activities will be tested from the day he assumes important managerial responsibility.

The third qualification that seems to be generally considered essential in a manager is ADMINISTRATIVE SKILL.

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The good executive must be able to foresee the needs of his operation—to forecast its requirements in men, in materials, in money, and in time. He must have the talent to resolve these needs into a practical and understandable program. Modern day business must have *men who can plan.*

This is the unglamorous side to the manager's job. It requires a painstaking concern over a multitude of details; it requires more than a little "i" dotting and "t" crossing; it requires concentration and vigilance—and, above all, it requires an orderliness of mind and method. In my opinion it is an area where many otherwise top executives are the weakest. In the pressure and pace of daily operating affairs, it becomes a problem for many to find time for the planning and thinking out of the projects that have been created and decided upon by our fertile minded and decisive executive types. This failure can be, and often is, the graveyard of many worthwhile ideas with great subsequent waste of dollars and hours.

Our forefathers may have been able to operate on the "opportunistic" basis. The growth of our economy, the unlimited natural resources, and the vast untapped markets permitted and actually, in many cases, called for the fast-moving, crapshooting business swashbuckler.

Times have changed. The difficulty of creating capital wealth because of the tax structure and the competitive complexion of our current economy does not permit much leeway for such waste of either money or time.

As I said, one of the outward manifestations of this quality is orderliness. The way a man marshals his thoughts, the way he presents his arguments, the way he plans his own life, the way he keeps his working quarters—these are signs of an orderly mind—or lack of it.

Omitting the infrequent, unforeseeable emergency that can throw a curve into any of our personal lives, the good manager lives within his income, and finds ways in spite of today's inflated living costs to protect the financial security of himself and his family, to provide for their health and well-being and to spare himself the mental anguish of not being able to make ends meet. This calls for a real measure of sac-

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rifice in most cases, and a family decision to deny itself many of the material enticements with which our society abounds.

The fourth quality that the Columbia seminar felt was important was a POSITIVE ATTITUDE. A manager must be optimistic—he must radiate confidence and enthusiasm. The business world of today and tomorrow wants leaders *who can inspire.*

This failure [to plan] can be, and often is, the graveyard of many worthwhile ideas with great subsequent waste of dollars and hours.

This positive approach cannot be a manufactured or an artificial one. It must not be merely a pose—it must be sincere and deeply felt. A company, an operation within a company, a project within an operation, must be led by a manager who has an all-abiding faith in his work and objectives. This over-riding belief is usually the secret weapon against the discouragement of difficulties and problems.

The behavior of the manager, his facial expressions, even the droop of his shoulders are all watched closely by the rank and file of employees. A discouraged and despondent executive can send a hundred or more employees' morale into the gutter. A worried looking boss can touch off a wave of fear rolling throughout an organization that starts a chain of resignations among the best people and work slowdown among nearly all of them.

You can properly ask how does a man go about developing this positive, optimistic attitude. With the problems of government regulations, taxation, cutthroat competition, strikes, personnel failures besetting him daily, most modern managers face enough grief to cause them to commit suicide once a week. How do some men develop the ability to relax in the midst of constant pressure and trouble?

An important key to the answer to this question is health. Vigorously good health is a must if a manager is going to keep

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up with the pace demanded by managerial responsibility. This means proper eating habits, care against overindulgence in smoking, drinking and eating, adequate rest and exercise. A sick or half-sick manager is a real handicap to a company.

All work and no play usually produces a tense and grim executive. Hobbies and outside interests actually result in a man having greater capacity and vigor in his professional role. Vacations are necessary—and no company should permit its key executives to get so swamped that they feel guilty for taking time off.

It is not easy to develop this ability to stay undisturbed when things around you are going wrong. The jokes about the ulcer incidence among business managers is no joke. Our country's consumption of aspirin is a national disgrace.

Another important weapon against worry and pessimism is FAITH—faith in the people to whom you have assigned an important job, faith in yourself, faith in God. People more often than not live up to the faith that they know you have in them. You yourself will more often than not do a good job if you believe you can.

There is a little prayer that could be labeled "The Manager's Prayer" that goes something like this:

"Oh Lord, give me the serenity to accept with grace those things I cannot change,

The courage to work and fight for those I can,

And the wisdom to know the difference."

A discouraged and despondent executive can send a hundred or more employees' morale into the gutter. A worried looking boss can touch off a wave of fear rolling throughout an organization.

In this same vein, I should like to tell you of an experience that I had during the early days of the company. It hap-

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pened in the winter of 1947. Our problems had become seemingly insurmountable. The new "mousetrap" we had brought to the world had laid a giant egg—nobody, *but nobody,* was beating a path to our doorstep. Working capital had fallen to a zero level, sales were nonexistent, the frozen food industry generally was on the verge of going broke. As the saying goes, "When the tide goes out, the rocks begin to show." Everywhere I looked there were rocks!

At this juncture I decided to attend the Canners Convention in Atlantic City. This was a mistake. My gloom was merely an echo of the gloom I found on all sides down there. Misery loves company and I found a plethora of company that year on the boardwalk.

My stomach began to ache—I worried about the stock we had sold to the public—I worried about the employees we had wheedled away from secure, well-paying jobs. I went to sleep—eventually—at night worrying—I woke up early in the morning worrying—I even worried about the sleep I was losing.

My family lived in Atlantic City so I was staying with them. Besides, it saved the hotel expense which we could ill afford. One day near the end of the convention, I was asked by my father if I would like to accompany him to a Rotary Club lunch. I had little stomach for this but I knew Dad would feel hurt if I refused.

My unhappiness with the decision to go to the lunch deepened when I saw that the speaker was to be a minister of the gospel. My gloom was so abject that I was in no mood for a sermon. This minister was Dr. Norman Vincent Peale, who I soon found out was and is one of America's most inspirational and accomplished speakers. Dr. Peale announced that his subject would be "Tension—the Disease that is Destroying the American Businessman."

From the first words he uttered it was as though he were talking only to me. I knew I was the tensest man in the audience. It was a great speech and one that he has told and retold all over this country. The formula he gave for relaxing and putting aside worry I would like to repeat.

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First, you relax physically. This is done by stretching out in bed or in a comfortable chair. Then you methodically and carefully concentrate on relaxing each part of your body. Start with your scalp, then your face, your neck, your shoulders and so on down until you are as loose as a pan of ashes.

Second step—you relax your mind. You recall a pleasant incident in your life—a vacation, your honeymoon, a play, a book, anything that brings back into your mind's eye a pleasant scene.

Then finally, you relax your soul. This for most of us businessmen is a little tougher. But it can be done by renewing your faith in the Lord. You get right with God. You check your fears and worries with Him. He can handle them much better than you can. You do this in prayer. If you know no other prayer, the age-old children's one will do quite well, "Now I lay me down to sleep, I pray the Lord my soul to keep."

The first thing you know you'll be fast asleep. I know because in desperation I tried it out that very night. I heard Dr. Peale tell about it. It not only worked but I awoke the next morning refreshed and renewed and convinced we would work out of our jam some way. We did.

The job of inspiring others also involves some important mechanical skills. You want men who can talk well, men who can write well, men who can be understood, men who can sell people on doing what they want them to do.

Some people have these skills quite naturally—most have to develop them painfully and laboriously. How? By practice, practice and more practice. This is why public speaking courses are desirable for an aspiring manager. He should also strive to excel in clear, concise written expression. A large measure of his success will depend on his ability to communicate.

The fifth quality to be sought is COURAGE. Managers must be *men who will gamble*—not gamble in the Monte Carlo, Churchill Downs or crapshooting sense of the word. Business is a matter of taking a risk and quite often the magnitude of the risk is a measure of the possible gain—or loss.

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In nearly every business decision someone must have the courage to take positive action without having in hand *all* of the facts and data necessary to make that decision risk-free. To wait for all of the necessary information can mean missing an opportunity, can mean a more aggressive competitor will take the important initiative, can mean a timing failure. Timing in business affairs is vital. So usually someone, a manager with courage, must stick his neck out and decide to do something—now!

It takes courage to delegate. To give a subordinate the authority to perform a function, to stand aside and let him make a decision—a decision that may turn out to be wrong—takes valor. It is a fundamental precept of business management that although the work load may be distributed down the line and many decisions may and should be made down the line, the final responsibility for the success of an operation cannot be delegated. The results of a departmental decision cannot be ducked by the department head; the performance of a division is the responsibility of a division vice president; the deeds and performance, or lack of it, of every individual in a company is the responsibility of the president. *A manager can never abdicate this responsibility.*

Timing in business affairs is vital. So usually someone, a manager with courage, must stick his neck out and decide to do something—now!

Since it is a well understood code that a manager must take the blame for the mistakes of his organization—yet at the same time pass on the credit for its success—it defies a man's natural instincts not to review and approve every decision within his jurisdiction. When this happens you have no true delegation. One of the hardest lessons for a manager to learn is to learn to "let go."

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The courage to delegate is particularly strained when the person to whom the job is delegated happens to be young or relatively inexperienced. I have always liked American Brake Shoe's William Given's term "*The Freedom to Fail*" as a basic management principle in this matter. Men will not take risks and make decisions if they find mistakes mean dismissal. The climate of a company, set by its top management, must allow for failures in decision-making if there is to be a development of managerial ability within the organization. We learn far more by our errors than our successes, but it takes a courageous executive to encourage this freedom.

It takes courage to be tough—to say "no" to requests that come daily to a manager's desk. It's much pleasanter to acquiesce and to be a good guy. But with every important executive position goes the unpleasant task of being a wet blanket when the good of the organization is involved.

It takes courage to ask your superior for advice. Many executives have the idea that, once given a responsibility, it will be viewed as a sign of weakness if they admit they are stumped when they are. It always takes courage for a man in an authoritative position to say "I don't know."

It takes courage to disagree with a superior. There has been a lot written and even more said about the undesirability of the "Yes" man. Nevertheless, it takes real guts sometimes for a man to say "Boss, I think you are wrong—Sir!" It takes even more guts for a manager to take action without a precedent or company policy to back him up.

When a manager is given responsibility it is not for him to complain or alibi. Nor can he wait for a decree from above when immediate action is called for.

If the action which his best judgment tells him should be taken is one that is expressly forbidden by policy or instruction from higher management, then the executive should try to get clearance for a change of the policy. When there is not enough time for the clearance to come through, he has to take action and explain or defend it afterward.

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A manager is supposed to get things done—this often takes real pluck.

Larry Appley, President of the American Management Association, in one of his recent bulletins said: "A principle for the propagation of the Management Species might run as follows: *to blend with one's environment may earn survival; to oppose it risks extermination; to control and redirect it ensures progress.*"

The sixth and final quality that I am going to talk about is CHARACTER. Managers must be *men of high integrity.* The quality of integrity—the honesty, sincerity, the moral posture of a top executive must be unquestionable. This is a common ingredient of all real leaders. They may have the previously discussed five characteristics in greater or lesser degree—on this quality there can be no compromise.

Integrity manifests itself in many ways—some quite subtle, I think.

When a manager is given responsibility it is not for him to complain or alibi. Nor can he wait for a decree from above when immediate action is called for.

Leaders of integrity have humility. President Eisenhower, probably the greatest leader of men in our time, demonstrated this quality the night that he was elected President of the United States. Many of you will remember his words as he stood before his deliriously happy campaign workers, having achieved the top accolade of American life—"We should always take our jobs seriously but never ourselves."

Arrogant leaders are short-lived. Arrogant managers may survive because they own the business or have their boards of directors buffaloed. But their companies never

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attain their full potential because people cannot feel loyalty to arrogance. As Clarence Frances once said "You can never buy an employee's loyalty—this you have to earn."

On this same subject Disraeli wisely remarked "Every man has the right to be conceited—until he is successful." The success of every manager is so tied up with the efforts of those around him that he cannot help but be humble if he is a man of integrity.

I race sailboats for a hobby—not well, I'm afraid, but enthusiastically. In sailboat racing we have a term known as "Corinthianism" that I believe illustrates this quality of integrity.

I had the occasion to demonstrate "Corinthianism" to my children one day a couple of summers ago. The Foxes' boat by some strange fluke rounded the first mark well ahead of the fleet. This was the first time this had ever happened. By an even stranger fluke (the breezes on Long Island Sound are famous for their flukiness) we approached the second mark with our competitors out of sight under our stern. At this exultant moment, father goofed. In rounding this mark the main boom jibed over and struck the buoy a resounding thump—we had fouled out.

Arrogant leaders are short-lived. Arrogant managers may survive because they own the business or have their boards of directors buffaloed. But their companies never attain their full potential because people cannot feel loyalty to arrogance.

I turned the boat and started home for our mooring. The children who were crewing nearly had apoplexy. "Holy cow, Dad, what are you doing—the finish line is in the other direction!" I explained we had committed a foul and were

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required to withdraw from the race. "But no one saw us—not even in their glasses could they have seen us!"

It took a little while to point out that since we knew we had committed a foul that was all that counted. *That is "Corinthianism."*

To be a manager a man must have the confidence of his superiors that his actions will be the same whether his deeds are subject to observation or not. *This is integrity.*

I think that the development of managers is of tremendous importance—important to our children and the generations to come—important to the free enterprise system—important to our country—important to our precious American way of life. It is a profession of which I am proud to be a member—junior grade. I would be supremely happy if either of my sons or both of them would choose to aspire to and could qualify as managers.

1956

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CHARLES D. TANDY
1918–1978

The man who built Radio Shack was Charles Tandy, a wily Texan who always had a cigar in hand. Tandy's beginnings were inauspicious: In 1935 he flunked out of Rice University. He subsequently received a degree from Texas Christian University, and from there it was a year at the Harvard Business School and then the navy and World War II. Meanwhile his father was selling leather soles and other shoemaking supplies to shoe-repair shops, with little prospects for company growth. But young Tandy discovered that leathercraft projects were popular with the injured soldiers recuperating in hospitals, and wrote to his dad that he should expand into leathercraft supplies. When Tandy left the navy in 1947, father and son organized the Tandy Leather Company, a mail-order/retail-store operation.

Business boomed and by the mid-1950s Tandy was looking to enter new fields. He first learned of Radio Shack in 1961, but it would be another two years before he bought the small electronics retail chain. When he took over Radio Shack, there were only nine outlets, and the company's net worth was a negative $2.5 million. Fifteen years later the chain included 7,000 stores, with an amazing 594 locations opening in 1976. Needless to say, Tandy liked to move boldly and quickly. Two key factors to success were imposing strict financial inventory controls, and creating weekly reports that kept him on top of district managers and red-flagged any drop in sales. He'd berate them, "If you can't get your job done in five days, do it in seven."

Tandy also believed that money was the best motivator of men, and he set up four different profit-sharing plans for store managers. Bonuses always outweighed salary; by 1976 a variety of profit-sharing plans had made more than fifty Radio Shack millionaires. To personally stay focused and undisturbed, Tandy kept an office away from the office, with no secretary. With all the success, Tandy still considered himself an entrepreneur, a key attitude to bring to the management of a company. In the following selection, he warns, "If the CEO is the only entrepreneur in the organization, his company is not likely to set any growth records."

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The CEO as Entrepreneur
Charles D. Tandy

I should explain that I interpret entrepreneurship broadly. In my opinion, the term applies not only to those who organize and manage a company, taking the risk involved, but also to those who acquire ailing companies and reorganize them, taking the risk involved. Tandy Corporation has practiced entrepreneurship both ways—and several times—and has the scars to prove it. I know of no better way to tell you my ideas about entrepreneurism than to preface my comments with a brief recital of my company's life and hard times.

The Entrepreneurial Spirit Yesterday

Tandy Leather Company, genesis of the present corporation, began in Fort Worth, Texas, on a shoestring back in 1918. My father, David L. Tandy—from whom I inherited my enthusiasm for selling and merchandising—formed a partnership with Norton Hinckley to sell sole leather and other shoe repair supplies to shoe repair dealers in Texas. The firm weathered the Depression's storms, gathered strength, and established a firm base in the shoe findings business during the next 25 years.

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My first contribution to the company came in the form of a letter to my father while I was on navy duty in Hawaii during World War II. I suggested to him that leathercraft might offer new possibilities for growth of the shoe findings business because leather was used in large quantities in army and navy hospital units and recreation centers. Leathercraft gave the men something useful to do; and their handiwork, in addition to being therapeutic, had genuine value.

When I returned home from the service in 1947, I obtained permission to operate the small leathercraft division which my father had formed at my suggestion. One of my early moves was the opening of the first two retail stores specializing exclusively in leathercraft. These two stores opened in 1950 in El Paso and San Antonio. I felt that if these two stores could survive, with the help of direct-mail-order sales, my formula for a leathercraft chain-store operation might be successful. The venture made a 100 percent return on investment the first year.

Our first catalog, only eight pages, was mailed in response to inquiries resulting from two-inch ads which we had placed in *Popular Science* magazine. Mail-order sales of leathercraft were a vital part of our formula.

In spite of the success of the two pilot stores, Mr. Hinckley, my father's partner, was not enthusiastic about the new leathercraft division; so, in 1950, my father and I worked out an agreement whereby we pursued the leathercraft business and Mr. Hinckley took over the shoe findings business.

From 1950 on, the successful formula of retail and mail-order stores supported by direct-mail advertising was expanded into today's chain of 236 leathercraft stores. The same basic formula has been applied to all of the specialty retailing divisions later operated by the corporation.

The do-it-yourself movement prompted by consumer goods shortages and high labor costs was gaining momentum in the early 1950s. The 15 leathercraft stores opened during the first two years were successful, and our management was gaining confidence. When a handicrafts company in East Orange, N.J., became available after it had suffered

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a series of financial setbacks, I seized the opportunity to buy it. American Handicrafts Company became Tandy Leather Company's first acquisition. This acquisition brought a broad line of do-it-yourself handicraft products, two established retail stores in the New York area, and useful knowledge of school and institutional markets.

We began promptly to make this sick company well and to move it forward. In 1953 we opened 16 additional retail stores, all following the basic formula of the first pilot stores.

Believing then and now that good people are as vital to an organization as good merchandise, and believing further that without proper incentives neither the people nor the company will grow, we made all of the managers of the first stores partners in the organization and cut them in on the capital investment and the profits. All of the employees in the company from file clerks up were invited to buy into the new companies as they were formed and to share in the profits.

The five-year period between 1950 and 1955 was an exciting period of growth and optimism for the Tandy organization. Sales reached $8,000,000 and earnings were $523,000—all generated from leased premises in 75 cities in the United States.

Good people are as vital to an organization as good merchandise . . . we made all of the managers of the first stores partners in the organization and cut them in on the capital investment and the profits.

To cope with the estate and management problems created by a successful closely-held company—then owned by over 100 stockholder-managers—we chose to sell the company rather than go to a public underwriting. In 1955, therefore, we sold the company to the American Hide and Leather Company of Boston, which was listed on the New York Stock Exchange. It had been in the tannery business

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for some 54 years but had fallen into serious financial difficulty, its annual sales having dropped from $17 million to $9 million in recent years. Terms of the sale provided options for the stockholders of our Tandy Leather Company to buy 46 percent of the shares of American Hide and Leather Company stock at $4 per share over a four-year period.

Earnings of the Tandy organization, applied to the deficit of our new parent company, erased the losses and provided new cash flow for an aggressive diversification program which its management felt was vital to growth. Disposing of the tanneries and changing the name to General American Industries to dramatize the new management concept, the company in 1956 embarked on a diversification program by acquiring three companies wholly unrelated to the leathercraft business and the assets of Tex Tan of Yoakum, Texas, engaged in manufacture and sale of finished "western" goods such as saddles, belts, billfolds, and purses. This Tex Tan acquisition, it later developed, was the wisest decision made in 1956.

The high hopes and excitement brought about by the merger of our Tandy Leather Company changed to frustration and despair between 1955 and 1958. It became apparent that of the five divisions in General American Industries only two—Tandy and Tex Tan—were profitable. This presented me with the toughest challenge I had faced to date. It made me furious to see the hard-earned profits of the Tandy and Tex Tan groups used to plug the losses of the other divisions instead of being applied to growth and expansion as originally planned. Management of the other groups would not, or could not, pursue the profit-oriented practices of the Tandy and Tex Tan groups. Thus began a struggle for control of the parent company.

I used all of my resources to raise money to purchase the 500,000 shares of stock that were included in the original merger agreement. All of the key personnel in the Tandy and Tex Tan groups lent their support. A nip-and-tuck proxy fight was imminent. Only weeks before the annual stock-

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holders' meeting that would decide the fate of the enterprise, I learned of the existence of a stockholder in a foreign country who controlled a very large block of stock and was not clearly committed to the incumbent management or to our group. Both factions sent emissaries to Europe to lay the facts on the table before this key stockholder.

The day of the stockholders' meeting was one of enormous strain and anxiety. Proxies were counted. The owner of the critical block of stock, in a perfect display of neutrality, had abstained from voting. Our Tandy group obtained management control of General American Industries.

In 1960, we sold the last of the unprofitable divisions. This was the first and only year in which our organization showed a loss ($267,000) and a drop in sales, both resulting from the costly divestitures.

During the "clean-up" year of 1960, our company emerged with the management team, marketing direction, and operating objectives that exist today. In 1961, the company name was changed to Tandy Corporation; the corporate headquarters were moved to Fort Worth; I became president and chairman of the board; and our company name was listed on the New York Stock Exchange.

We concentrated our efforts on expanding the Tex Tan Division, which manufactured and sold saddlery, riding equipment, and other finished leather goods, and the Tandy Leather Division. We acquired Craftool Company, manufacturer of precision leather tools, and Clarke and Clarke, Limited, a leathercraft firm in Barrie, Ontario.

By 1961, we were operating 125 stores in 105 cities of the United States and Canada. We were on our way again.

In that year, we acquired several new companies to complement our line of products, including a manufacturer of leather sport and western clothing, and a manufacturer and retailer of needlecraft items. It was now possible to use the resources of one division to develop new products for another.

In 1962, the Tandy organization advanced money to

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Cost Plus, a West Coast importer of decorator furnishings, gourmet foods, and unusual housewares from all over the world. The firm needed capital for expansion. We received distribution rights for the remainder of the United States and the use of the name.

Because the chain-store route had already been proved several times by Tandy Corporation as a rapid and profitable means of expansion, we established our first import store outside of California in Fort Worth, and during the following months we opened additional stores. The type of marketing used by Cost Plus—later named Pier 1 Imports—was fruitful and productive, but it required considerable continuing capital investment. By 1964, another one of our new acquisitions, Radio Shack, was beginning its vigorous expansion. The management of Tandy Corporation determined that this new acquisition offered a greater opportunity for early return on our limited capital, so we sold the Pier 1 operation to that division's executive group. Pier 1 continues to be successful today.

Our policy at Tandy has always been growth through reinvestment of profits. If an idea can't be proved effective within a reasonable period, we move on to something else.

The Entrepreneurial Spirit Today

In 1962, I became intrigued with the potential for rapid growth in the retail electronics industry. Tandy Corporation acquired Electronic Crafts in Fort Worth as a pilot operation. The initial success of this pilot operation prompted me to seek a company in the electronics field that had the needed resources and talents for successful expansion. In 1963, I found Radio Shack in Boston, a mail-order company that had started in the 1920s by selling to ham operators and electronic buffs. Radio Shack, with nine retail stores, was in very poor operating and financial condition. It had lost

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$4,500,000 the year before. It owed more than $6,000,000 to a Boston bank and $2,000,000 to an insurance company. It had a net worth of minus $2,500,000.

If an idea can't be proved effective within a reasonable period, we move on to something else.

This acquisition, more than any other in our corporate history, required me, as Chief Executive Officer, to carry out my entrepreneurial risk-taking role to the hilt—unless I've mixed a metaphor there somewhere.

When I presented the proposed acquisition to my board of directors, they were unanimously opposed to the idea. Some of them apparently thought that I had cracked up.

"Why in the world should you take on this kind of problem?" they asked. "Nobody has ever been able to make one of these electronic firms profitable enough to amount to anything."

I replied, "I believe that I can turn the situation around."

"But we don't want you to do it," they said firmly.

Here was an entrepreneur's moment of truth. I couldn't understand why all of my directors couldn't see the potential in Radio Shack that I could see. I was one director out of nine, so I couldn't outvote them. Literally with tears in my eyes, and with some emotion, I told them that I was deadly serious about acquiring Radio Shack. I pointed out that many of the inside directors had been doing what they wanted to be doing, with one of them handling the accounting, another handling this or that.

"Now, I am going to do what I want to do. If I don't get an affirmative vote on this proposed acquisition, then I will sell every share of stock that I own in our corporation and will personally acquire Radio Shack on my own hook."

I wasn't trying to run a bluff. I felt that strongly about what I could see in Radio Shack and what I could do with it.

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I was willing to gamble that it was something I could make into a viable, strong, and prosperous company.

When the directors realized that I was really this determined about acquiring Radio Shack, they changed their minds and voted unanimously for the acquisition.

In fiscal 1975—12 years after the acquisition—our Radio Shack Division operated 2,651 stores, did 68 percent of our corporation's $724,488,293 worth of business, and made 81 percent of total divisional income.

In those 12 years since 1963, we had made a number of major changes in the Radio Shack operation and had applied some of the merchandising techniques pioneered with Tandy Leather. Almost immediately, we reduced inventories through an aggressive direct-mail campaign to existing customers, concentrating our selling efforts on items with fast turnover and broad consumer appeal. We reduced the number of stock items from 40,000 to 2,500; at the same time, we tripled the turnover. We began requiring a 25 percent down payment and later cut out credit altogether. We insisted that buyers and merchandise men work constantly to develop new ideas for exclusive products and then buy properly so that our products would be competitive. When manufacturers in the United States were inadequate for this purpose, we developed resources abroad. We expanded retail stores rapidly. Two years after we had assumed leadership, Radio Shack was profitable and was in sound financial condition with sales approaching $20 million.

We decided to open Radio Shacks in Canada five years ago. We made profits there the second year. In 1973, we began European operations using the name Tandy International Electronics. By the end of fiscal 1975 we had more than 220 stores in Europe. We also launched Radio Shack in Australia in 1973, and had 67 stores operating there by the end of fiscal 1975.

Last year, we opened a Radio Shack either in this country or abroad at the rate of one per day, and we expect to

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continue this pace in the year ahead. In fact, in fiscal 1975, if you include our authorized sales centers—proprietor-owned stores in cities under 20,000 population—openings of Radio Shacks were at the rate of more than two per day.

We're going to put Radio Shack around the globe. We're going to have somebody selling our products down the Nile, down the Amazon, or wherever. We're not there yet, but that is our plan.

I don't believe in hanging on to operations which we can't run effectively. As many Chief Executive Officers and all football coaches have learned, many of them the hard way, you can't win 'em all.

I think that we can do this with Radio Shack because we already manufacture more than 30 percent of our merchandise, and this percentage is steadily increasing. We intend to duplicate what we achieved with Tandy Leather—that is, to manufacture practically everything that we sell. Our motives in expanding our manufacturing activities, aside from profits, are (1) to gain the skills in design and technology required to keep us in a position of leadership; (2) to achieve product exclusivity; and (3) to reduce dependence on external suppliers.

Although Radio Shack is the fastest horse in the Tandy corporate stable, we have a score of other horses that are running quite well—plus a couple which have come up lame in the back stretch.

As the emphasis of our operations became more and more retail, rather than mail-order, we began looking for an established retail organization to merge with our expanding system. This turned out to be a full-line department store and a chain of six junior department stores in Fort Worth.

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We expanded the former into 3 suburban shopping centers around Forth Worth and the latter to 74 retail outlets in North Texas and Oklahoma. When we couldn't make the operation profitable after five years of expansion effort, we sold it and took our losses.

I don't believe in hanging on to operations which we can't run effectively. As many Chief Executive Officers and all football coaches have learned, many of them the hard way, you can't win 'em all.

In the late 1960s and early 1970s, we acquired no fewer than 22 companies. Many of these companies are in businesses related to one or more of our established divisions and, where feasible, we have integrated them. We have expanded some of them into chains; have merged some of them with other divisions; and have liquidated some of them.

Our latest move is a plan to separate Tandy Corporation into three publicly held companies in order to provide more intensive and distinct management leadership of the three basic and diverse businesses in which we are engaged—consumer electronics, handicrafts, and leather products. Under the plan, now awaiting the necessary approvals by regulatory agencies, Tandy Corporation will carry on the consumer electronics (Radio Shack) operations as its sole business. The plan calls for the issuance to shareholders, in the form of a tax-free dividend, of the common stock of two new companies to be drawn from the handicrafts operations and from the leather products operations of the present corporation. It will provide shareholders in the future with three clearly defined investment vehicles, each with a simplified corporate structure and business direction.

Some Observations and Suggestions

The most important element in our success is probably our people. Our executive and management people, for the

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most part, have been developed and promoted from within our organization. We have a motivation and career progress program which attracts and holds a particular type of individual—the type who delivers and expects to be paid for it. The program is simply this: Each profit center manager and executive is compensated with a nominal salary and a bonus formula which can yield him a generous portion of the annual profits of his unit. Nearly one out of every five of our 20,000 employees receives an annual bonus.

We keep our tables of organization simple, or forget about them altogether. In my opinion, many large corporations pay too much homage to organization charts and rely on them too much.

This program has enabled us to build a management organization of seasoned, profit-oriented people who respond to the challenge of individual progress in their personal incomes and in their careers. We have never needed employment contracts or stock option programs or retirement plans with our kind of people. We do encourage ownership of company stock through our contributory Tandy Employees Investment Plan; and today, our employees own more than 20 percent of the outstanding stock of the company and will probably own an even higher percentage in the years ahead.

We run our divisions and subsidiaries with a light corporate touch, giving the presidents and managers both authority and responsibility, pegging their bonuses to their performance. This practice identifies and encourages entrepreneurship, which is basic to our American free-enterprise system.

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Our corporate president earned the post primarily by bringing the three Tandy companies for which he was responsible from a $250,000 loss on sales of $12.6 million in fiscal 1970 to a $4 million profit on sales of about $50 million in fiscal 1974.

We keep our tables of organization simple, or forget about them altogether. In my opinion, many large corporations pay too much homage to organization charts and rely on them too much. A corporation with an informal and flexible organizational setup is better able to take advantage of opportunities that come along, and can take prompt action when problems arise.

Running a corporation in today's economic climate, buffeted simultaneously by inflation and recession—and keeping the corporation profitable and growing—is a full-time job for a CEO. At the same time, all CEOs are being called upon to shoulder a large part of the growing responsibilities of corporations with respect to employees, shareholders, consumers, environmentalists, minorities, bankers, investors, the press, the community, Congress, endless government agencies, and even foreign governments. I let my associates handle quite a bit of this. Granted, some external matters you have to do yourself, simply because you're the top guy. But I never forget that the corporate woods are full of companies in trouble because the CEO was not minding the store.

It goes without saying—but I'll say it anyway—a successful entrepreneur must have the courage of his convictions.

I like the title and much of the content of a recent book on entrepreneurship by Joseph Mancuso. He titled the book *Fun and Guts**—which may be overdoing things a bit—but he wanted to make the point that an entrepreneur's philosophy

* Mancuso, Joseph; *Fun and Guts;* Reading, Mass.: Addison-Wesley Publishing Company; 1973.

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should be a cross between "fun and games" and "blood and guts." Mancuso claims that entrepreneurs are born, not made, and that you can spot them across a room. They will be the persons "talking about doubling sales and earnings, or attracting new capital, or a five-year growth program." They "would rather discuss raising capital than girls, rather talk of a new product, service, or marketing technique than eat." He cites energy as the one coefficient of entrepreneurial success. "You may have all of the ambition in the world, gobs of capital, a gambling man's soul, and business degrees covering the entire wall, but if you aren't virtually a human dynamo, forget it."

In my opinion, shared by Mancuso, entrepreneurs are individualistic and optimistic, and they prefer the 3-to-1 shot to the odds-on favorite or the horse listed at 20 to 1.

It goes without saying—but I'll say it anyway—a successful entrepreneur must have the courage of his convictions.

Some CEOs own all or a large piece of their companies. They risk their own money, and they are a very special brand of entrepreneur. We need more of them.

But some of our most important CEO entrepreneurs today are cast in the role of "professional manager." They may own a share of the company, and that share may even be significant for them in a personal financial sense; but the ownership share of these CEOs is insignificant in relation to the total ownership, which often is in public or institutional hands. These men are important in light of the vast portion of industrial enterprise which they shape. They, too, must have the courage of their convictions. Unfortunately, the list of these CEO-entrepreneurs is too short.

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CONCLUSION

And, now, for some closing thoughts.

Aside from the CEO, who needs the entrepreneurial spirit? We feel that in our company, line management must be made up of entrepreneurs. Even staff managers should possess a high degree of entrepreneurship to bring creativity to their assignments and to work effectively with line management.

Can the CEO cultivate entrepreneurship in an organization? Or does entrepreneurship necessarily depend on one man? "Yes" to the first question; "no" to the second. The best way to cultivate entrepreneurship is to preach, practice, appreciate, and reward it when it is demonstrated. If the CEO is the only entrepreneur in the organization, his company is not likely to set any growth records.

Where does the board of directors fit into the entrepreneurial picture? Right in the middle. There is hardly any way that a CEO can exercise much entrepreneurism unless his directors—at least a majority of them—give him the authority and the necessary support. Ideally, most of them will be entrepreneurs themselves.

Aside from the CEO, who needs the entrepreneurial spirit? We feel that in our company, line management must be made up of entrepreneurs.

I would like to express one last thought and one hope. The thought is rather old-fashioned, but I remember that when our forefathers settled this country, nobody took them by the hand. If they had a good crop, it was theirs; if they had a bad one, it was tough. That is exactly how we try to

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run our company and treat our people, which is a lot different from the way most large companies are run.

My hope is that the good which the Tandy team has accomplished with its entrepreneurial efforts will be an encouraging and enlightening example to others, particularly those outside the field of business activity, whose understanding of the free-enterprise system needs to be encouraged and enlightened.

1976

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EDOUARD MULLER

During a 1937 reorganization, Edouard Muller was appointed president and chairman of Nestle, one of the largest food companies in the world. The enterprise had been founded in 1867 by Henri Nestle, who had developed a cow's milk food for infants, and who later launched a condensed milk product. So, while today Nestle is best known in the United States for its chocolate, an area the company entered in the early 1900s, it actually built itself upon milk products. After Muller went to work for Nestle, one of his first big assignments was, at age 26, to market its products in Turkey. To encourage the consumption of chocolate, one of his highly successful innovations was to work with cinema owners in a promotion in which chocolate candy bar wrappers could be used for admission.

The year after the innovative Muller took the reins, the company launched Nescafe, the instant coffee, which was a result of eight years of research. Several years later Nestea, a powdered tea, hit the shelves. While successful products were introduced on his watch, Muller had the unfortunate task of guiding Nestle through World War II, which involved fending off the Nazis, and trying to manufacture products with limited or rationed resources. On the other hand, the conflict generated huge demand for powdered milk and Nescafe, which fueled revenues. Muller reflected, "These terrible years of war, with their manifold and far-reaching problems, have amply demonstrated the need for and the value of individual personality combined with wholehearted cooperation in many spheres." Indeed, Nestle expanded operations in South America, tripled its powdered milk production, and positioned itself to meet increased global demand once the war was over.

Muller, who was characterized as an energetic globe-trotter, described the qualities needed for management and managers in *Personality in Business.* He declared, "If a chief ever becomes afraid of encouraging his associates to be as good as, or better than himself, he is lost as a constructive force. His whole personality changes and, instead of thinking broadly and objectively, he tends to become egotistical, dictatorial and narrow-minded."

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Personality in Business

Edouard Muller

I often think that one disadvantage of a large business—and in our own field I believe we can safely claim that distinction—is that the Chief tends more and more to lose personal contact with many of his associates. This is true even of large national companies and, in the case of an international concern such as ours, the gulf is widened by geography.

I have always been a great believer in the value of close personal contact in our business, from top to bottom. This is the best way, indeed the only way, to get to know one's collaborators properly; to appreciate their true worth and to discover those with the necessary personality and initiative for encouragement and promotion.

Every enterprise, great or small, is characterised by the personalities of those who direct it and participate in its affairs. Its development, progress and reputation are in their hands. Therefore, if I were asked what I consider to be the most important individual attribute in business, I think I should put Personality at the head of my list. The kind of personality which seeks to keep a business on a high level; the kind of personality which makes an executive exact the utmost from himself before he demands it of others and, by his own actions, sets an example for all his colleagues.

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We are inclined to forget occasionally that personalities in every organization can be, and are, judged from several viewpoints. The "Boss" has to judge those under him from his position as head of affairs. On the other hand, his collaborators may have quite a different perspective, especially where they themselves are concerned. Moreover, they usually have some very definite views about the Chief himself and others senior in rank. It behooves all executives therefore, in every capacity, to see to it that these judgments or opinions—provided they are unbiased—mainly reflect their own good qualities and, to that end, the example they set day by day is worth far more than an occasional lecture.

Again, every business has very important relationships with people outside its own environment, sometimes as buyer, sometimes as seller. None of us can afford to ignore the impressions and judgments formed by these outside sources—indeed it is always interesting and frequently as illuminating to know them as it is to know the opinions of those within the organization.

If I were asked what I consider to be the most important individual attribute in business, I think I should put Personality at the head of my list.

By this I do not mean that we should depend too much on the views and opinions of others. Those who carry the responsibility must, in the end, make decisions according to the best of their own ability but they should not necessarily presume that these decisions cannot be improved. On the contrary, I think all of us should be happy and proud when we have assistants around us who have the courage of their own convictions, or to have clients who will express divergent views openly and without rancor.

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I am sure that most of us will be able to recall instances when such opinions or ideas, given without thought of personal prestige, have resulted in useful changes being made in some plan or program and how, by this means, new and valuable personalities have been uncovered.

There are two sides to every business, the human and the material. In my experience the best achievement is possible only when both are interwoven into one harmonious whole. In a small company where the Chief and his managers and staff are in close daily contact, this objective is more easily attained than in a larger concern which must be split up into several parts. Nevertheless, this does not alter the fundamental role of the Chief. He still has to carry the ultimate responsibility for everything that happens in the business—good or bad—but he must adopt different methods to ensure maximum harmony and cooperation.

First he must choose efficient deputies to whom he can delegate responsibility. This tends to limit his personal contact to his closest collaborators and, more and more, he must depend upon them to carry out the broader principles and policies without losing their individual initiative or creative ability.

In our case, the problem is even more complex as the divisions or subdivisions are not only internal or departmental but external through associated companies, which themselves are frequently departmentalized. Under these circumstances it is essential that each department or section should be directed uniformly to some extent, so that each can work smoothly with the other wherever or whenever this becomes necessary. However, I feel this merely emphasizes the importance of personality as, if the wrong type of individual is chosen for a key position anywhere along the line, the effect can be harmful to the whole as well as to the part immediately concerned.

A good Chief, whether he be head of a company, division, department or section should be master of his own job and always eager to widen his knowledge. He should strive

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to have the best possible assistants around him and be both able and willing to give them every help and encouragement to progress. If a Chief ever becomes afraid of encouraging his associates to be as good as, or better than himself, he is lost as a constructive force. His whole personality changes and, instead of thinking broadly and objectively, he tends to become egotistical, dictatorial and narrow-minded. Pleasure in work, in initiative and the acceptance of greater responsibility by others disappears and the development of their personality value is retarded if not halted entirely.

There is nothing worse for any business, in my opinion, than the individual who can see no point of view except his own. Such personalities invariably suffer from a marked preoccupation with personal prestige. They cannot assimilate the ideas and knowledge of others; they lose contact with their associates and fail to take advantage of the initiative shown by others. I would ask every leader in our concern, and those who aspire to lead in the future, to avoid that mentality as one would the plague, since it leads only to trouble and we have enough of that commodity to handle without creating more of it ourselves.

A good Chief, whether he be head of a company, division, department or section should be master of his own job and always eager to widen his knowledge.

As I have said before, every enterprise is characterized by the personalities of those who direct its affairs. For good or ill they determine its prevailing tone and spirit and this applies equally to any part as well as to the whole. No Chief, in any capacity, should ever forget this and he should be ready always to accept responsibility for whatever goes on in his section, division or company. Where ideas or initiative are lacking, where little foresight is shown in planning ahead

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or in the provision of competent understudies to himself, the fault is his and be must be big enough to acknowledge it.

It is really astonishing how many excuses some men can find when things go wrong just to avoid acknowledging that they have made a mistake. Any business in which this mentality prevails is in a sorry plight. We are all human and we all make mistakes sometimes. If the leading personality is strong enough to admit that and always act unselfishly, in the best interests of the group, his subordinates will be quick to recognize this trait and strive to emulate his example in their own spheres. It is hardly necessary for me to add that they will be just as quick to recognize the opposite and will be equally liable to react accordingly.

Of course in a large business one must have good organization for, without this, cooperation is impossible. This brings me to a really significant point, as development of individual personality and organization are often mutually antagonistic. The one we are anxious to encourage but we cannot dispense with the other without causing confusion and disorder.

There is nothing worse for any business, in my opinion, than the individual who can see no point of view except his own.

Obviously no section or division of any business can operate quite independently, as in that way lies chaos. We must have certain plans, principles and general policies to which all subscribe if unified management is to be maintained and I am sure you will agree that can be assured only through the willing and thoughtful cooperation of all, chiefs and staff alike, whatever the position they hold or the type of work they do. In brief, through the fullest possible development of the human personalities on which the ultimate success or failure of these plans and policies depend.

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At the same time we should never regard organization as an end in itself, only a means to an end. Organization is a dead thing and without the vital spark of human initiative—which stems from personality—it can impede progress and may gradually stifle the creative spirit on which all progress depends. We must see to it therefore, all of us, that our own organization, while strong enough to maintain important fundamentals, is always kept flexible and never allowed to become so rigid that our collaborators function as automatons.

Let us resolve to discard egoism, ideas of personal prestige and strive instead to cultivate the kind of personality which will breed mutual trust and appreciation.

These terrible years of war, with their manifold and far-reaching problems, have amply demonstrated the need for and the value of individual personality combined with wholehearted cooperation in many spheres. Without attempting to prophesy I believe that many of our problems in the postwar years may be even greater than now, problems which will demand these same attributes as never before.

I feel, therefore, that those who now carry the responsibilities—and here I am thinking principally of the senior executives—should concentrate even more than usual on developing eventual successors. As I see it, it is up to them to pass on the benefit of their wider experience of men and methods to the younger generation; to build soundly and wisely now and endeavor to bridge the current difficulties in such a way that, when the time comes, the newcomers can go forward confidently to new horizons.

This is the season of goodwill and good resolutions. As a final message, therefore, I would say, let us all, irrespective

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of rank, resolve to work henceforth for the common good. Let us resolve to discard egoism, ideas of personal prestige and amour propre and strive instead to cultivate the kind of personality which will breed mutual trust and appreciation. I am sure that, with this as our goal, and if we all try hard enough, we can find sufficient talent within the ranks of our great Company to provide men and women of outstanding personality, initiative and ability, who will ensure its success in the future as others have done in the past.

1945

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ROBERT GALVIN
1922–

Back in 1940, Robert Galvin quit college and joined his father's business as a humble stock clerk. The company: Motorola, whose name Paul Galvin had created in 1930 by combining "motor" with "Victrola" (phonograph), because he was manufacturing the first commercially successful car radios. As early as 1948, Robert was pushing his father to go into transistors, which Bell Labs had just invented. Galvin did, and once Robert assumed the helm in 1956, he continued to pursue leading-edge technology. Some 40 years later he witnessed the opening of the company's Florida pager plant, where the manufacturing was handled by robots. That year Motorola won the first Malcolm Baldridge National Quality Award.

Over the years, competition, especially with Japanese firms, was fierce. To prevail, Galvin knew he had to rely on every employee: "Just as thousands of Egyptian laborers—and not their pharaohs—built the pyramids, so do the bench technologists build whatever there is for us to 'manage.' Conversely, failure results from holding these people back." Galvin didn't supress his "laborers"; instead, feedback and two-way communication were crucial. "Communication does not start with what 'I' have to say," he wrote in 1996. "Rather, it starts with the other person. It starts with what I hear."

To keep ahead of the competition, Galvin required his R&D people to create detailed "technology road maps," which charted the potential of products ten years into the future. These maps directed them to discontinue consumer products such as televisions in the mid-1970s. Motorola shifted its focus to the semiconductor business and advanced electronics. Galvin calls such changes *self-renewal.* "Renewal is a great word," he says. "It is the driving thrust of our corporation. It comes trippingly off the tongues of our people." In terms of his own personal development, Galvin has found that teaching others helps him learn. Knowledge is obviously important in making management decisions; however, in the following selection, Galvin cautions that "we can overwhelm ourselves with too much knowledge on most subjects."

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Managing Knowledge toward Wisdom

Robert Galvin

The challenge of managing knowledge portends that this is the "age of the mind." Advancing societies have matured through many ages. Centuries ago, the "age of the crafts." More recently, the "age of industry." Now, the "age of the mind." Of course, crafts will continue to fill important roles. Industry will always be essential. And the imaginative and sensible use of the mind has been evident through all ages. But the "age of the mind" is ever more promising and demanding.

Tools have keyed development through each Age. Early tools enhanced the craftsman and mechanized tools and instruments drove industry. Information processing hardware, software and communications are the new tools for further managing knowledge and intellectual capital and are a worthy challenge to manage unto themselves in this the "age of the mind." But the mastery of the use of these tools, as vital and achieving as it is becoming, is more the form than the substance of the ultimate wisdom that we seek from managing knowledge and intellectual capital.

A few months ago, I was privileged to speak to a scholarly audience on the subject of knowledge. The idiom *lifelong learning* was referenced in early presentations. I elected to play on words. "Lifelong learning is important," I said, "but

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it implies a ponderous pace suggesting we have abundant years to achieve learning. Obviously that was not intended. But our expectation should be timely mastery, again and again."

How best do we master? Many of us think that teaching is the best of the learning processes. In fact, I played on those words also, referring to the outmoded phrasing "I'll learn you a lesson," wherein the term *learn* was employed as the synonym for the word *teach*. Indeed, we learn better by teaching and we must teach others to do similarly.

How could our business be truly competitive if the Chief Executive Officer of any company with whom we competed was smarter than I was?

I come to this challenging issue of striving to master the managing of knowledge as a business person. The challenge of doing so is no more nor less in business than other sophisticated fields. It is simply one of the fields wherein the worth and degree of mastery is substantially measurable as the business thinker and doer personally practices and applies development principles both timely and consistently. This paper suggests a dozen rewarding developmental endeavors.

Training for Success

Years ago business was faced again with one of those periods of struggle to improve competitive competence. In raising the question to myself, (How can we be more competitive?), I went through the conventional business analysis questions of what function and what cost we could modify in order to make our institution more competitive. Those conventional questions and answers were insufficiently satisfying. Ulti-

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mately I began to think in athletic analogies: I am a competitor. At my modest athletic ability I have competed in tennis and in downhill racing. I didn't always win. I realized for the most part, those who were superior to me were better trained.

The thought pattern was readily transferable to business. How could our business be truly competitive if the Chief Executive Officer of any company with whom we competed was smarter than I was? How could we compete if the President of another competitor was more talented than ours? As I reviewed the responsibility of our people, it became obvious that in order to be competitive, we had to be superior counterpart to counterpart.

When I took this thesis to my senior associates, they readily agreed that it would be difficult if I wasn't as capable as our brightest competitive chief executive officer and as a matter of fact they readily agreed I was not. So, yes, I was going to need a mentor. It was a little less appealing for them to imagine that they too would need a mentor to measure up to. They could see that this might evolve to where there would be major considerations of extensive training costs and time. Early on, they established their position that if there is to be an education program, we must find a way of doing it at no impact on budget and no demand on people's time. Obviously, an impossibility.

When we had discussed the subject sufficiently, I made the decision; we would have an extensive education and training program. I was convinced that we could train in sequences and on subjects of timely utility that wouldn't actually cost us because our improved talents would save us other operating expenses and gain us other business benefits virtually contemporaneous to the training. Thus was born the intention and ultimately the execution of an expansive worldwide education program to impart knowledge by Motorola University. The managing of knowledge inescapably involves the process of adding to knowledge in order to employ it.

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CREATIVITY: A VOCATIONAL SKILL

Business knowledge is used frequently to make decisions. Most managers presume that their major responsibility is to make decisions. Deciding is an act of judgment. Judging is one of two key mental processes. The other is creativity.

Early on, I developed a curiosity about creativity. Others probably have had experience such as I had in school and college where a teacher would assign a creative theme for homework. I recall asking those teachers for an explanation as to how one goes about generating the creative ingredient to give the theme its substance? Universally, I would be finessed by such comments as "just start to work on it, the light will go on, in the middle of the night an idea may pop into your mental processes, note it so you don't forget it by morning. Ideas just come." Such comments were hardly helpful.

I continued to harbor my curiosity. In my middle twenties, I came upon a newspaper advertisement headline. "Buy this book and you can make yourself creative." You can imagine that my initial reaction was that this was a come-on. But when I read further that the book *Your Creative Power* was written by a distinguished professional with an impeccable reputation, Alex Osborn, then the head of one of the more respected American advertising agencies, I knew he could not risk his and his firm's reputation. So I bought the book, devoured its 300 pages because it was entertaining and instructive, and distilled 13 integrated steps of thinking creatively. I memorized them and practiced them with my associates and on my own. I discovered after a short period that I was coming up and people around me were caused to come up with more ideas than was our prior disposition. We were achieving a special mastery of sorts.

I came to understand that creativity, as a vocational skill, can be learned and taught. Specific guides, steps and principles readily generate ideas. I now avow that an institution

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like ours, when it fully dedicates itself to do so, can train the aggregate of our leader-thinkers, which means more than the majority of our people, to being many times more creative than we are today.

The value of ideas is obvious. The value of ideas—primary intellectual capital—is central to the purpose of this publication of knowledge related papers.

There is an inherent relationship between the creativity process and the judgment process. A demonstrative anecdote occurred when a distinguished senior-age, faculty member, inventor-scientist willingly assumed an Active President role of the university whose board I chaired. He took on an interim assignment as acting president between the unanticipatable resignation of a prior president and the recruiting of a full-time president.

Henry would visit with me about once a month. On one of those occasions he had an extensive agenda. He premised the seventh item on the agenda by saying, "Bob, I'm going to need your direct support on the decision that must flow from this issue. As just the acting president and continuing faculty member, I will need the support of the board chairman in authorizing the choice between our two unappealing options."

As Henry introduced the matter, I realized what my job was going to have to be. I was going to have to have at least a third idea. I immediately went into a multiplexing mode, meaning I listened thoughtfully to what he was saying but simultaneously began to have ideas about the university. I didn't know yet what his topic was going to be. I just started to have university related ideas. I was using an Osborn approach of tuning up my mind, seeking quantity of ideas.

As he spoke further, his area of concern became evident. So, I shifted my focus. When he finished his review, I had to agree that the two offerings that were presumed to be self-limiting were objectionable. Then I said, "Henry, let's put those aside. Let's engage in a purposeful creative process between us here and now as you have done so often in the

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laboratory and elsewhere. Let me start by launching into an idea." I realized as I uttered the first two or three sentences that I was talking my way into a veritable intellectual *cul de sac.* But I wasn't concerned about judging that. I simply finished that thought in order to have started the process of mutual creative thinking.

While that first thought was being expressed, a second idea was brewing (which now becomes our fourth idea). It wasn't very good either. But that led me to a fifth idea. I could tell as I finished expressing that one—which wasn't half bad—that Henry was becoming impatient with my monologue. New thoughts were beginning to click with him as he said "Well, then we could probably consider this," and his became the sixth idea. We traded thoughts back and forth well beyond 10 or 11 ideas between us. At that point he interrupted the process and said, "Thank you. I'll take the issue back to my office. I now know that I will come up with other better and defendable options. I'll let you know what my decision is and I'm sure it will be more than tolerable to the university community."

Notice that without having the availability of all of the potentially useful ideas it is not possible to make the best decision. Decision making is not simply making a choice between a few static suggestions that others may have conjured. The decision making function must include first creating the options worthy of consideration.

Going against the Crowd: The Role of Counterintuitiveness

Creativity has a bearing on counterintuitiveness. Another book that has had a profound influence on me was the autobiography of Bernard Baruch. Baruch was a Wall Street investment banker in the United States early in the century. But, he was more than that. He was an advisor, even to Pres-

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idents of the U.S. In fact, on some occasions he would schedule to sit on certain park benches in New York or Washington, DC. People would seek him out as he would "hold court" responding to their questions or requests for advice. One of his principles was, *if the crowd was going one way he should seriously consider going a very different way.* To begin with, isn't that natural for someone in the stock and bond business? If everyone else is selling, maybe he should be buying. If everyone else is buying, maybe he should be selling. But his thesis was much more pervasive. He applied it to virtually everything.

He was a role model for thinking to me. I began to apply the same thinking methodology. Whenever I saw an industry move or a collective set of thinking on the part of any group of people, I challenged myself that the more likely way that could add value would be quite different than other collective intuitions. This was not intended to be contrarian. Rather, the practice was and is intended to search for alternatives and opposites that may as a consequence of their lack of apparentness be overlooked as the more valuable directions in which to go.

In fact, the intuition of my associates was that we couldn't afford the time and the money for education. The counterintuitive was that it wouldn't cost either net time or money because we would save both by timely usable instruction and we would be the better for it. In fact, within two years after our training and education program was well launched, people who were unaware of the initial discussions would meet me in the halls, speak of how immediately valuable training was and express their hope that I would not fail to support it liberally.

When one searches for the counterintuitive, one is—in a way—searching for the essence. Most subjects are encumbered with all manner of facts and factors. In fact, we can overwhelm ourselves with too much knowledge on most subjects. So there must be a synthesis and a distillation process as we search for the more significant elements, the

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heart of the matter, the pivot point, the essence. With the distillation and discernment of the essence of the subject at hand, most if not all of the other related "knowledge" may be deemphasized. Choice and action then can be engaged most confidently.

The Practice of Recommending

How do we practice the application of knowledge so as to ultimately manage it and use it better? There are ways. One that is particularly useful is to make recommendations. Early in our careers, we typically are in the presence of those with more experience and authority. If they are able leaders they will probably provide us with opportunities to be heard, to make recommendations, to allow us to stand for our choice. If we are not privileged to articulate our position, we can at least make a commitment to ourselves as to what our recommendation is on the issue at hand, including how creative we are being. Either way we can test ourselves. What do we learn as we see the events that play themselves out? Do we see that the recommendation of another was really the right answer? Do we see that the one we made which may or may not have been similar to the ultimate decision was more favorable? This practice adds to our confidence and talent in ultimately assuming more responsibility.

The Quality of Leadership and the Leadership of Quality

A consequence of our recommendations and decisions can, to a significant degree, be measured in the manner they help take our institution elsewhere. In our company, the most demanding part of the definition of leadership is "a leader is

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someone who takes us elsewhere or causes us to do otherwise." This calls for people to have achieved a confidence level that gives them backbone—a willingness to be bold. Boldness is essential. It is one of the ultimate tests of whether or not we have processed and *used* knowledge wisely.

Quality in all of its meanings is important. The quality processes that we conceive from the knowledge we possess are critical to achievements. In business for the most part, we seem to first apply quality techniques to operations activities. But the future of quality as a *bigger* factor in business is going to be the measure of the quality of thought applied.

Operating quality processes and quality management are essential competences in all institutions—certainly business. It takes solid, objective thinking to position the high expectation practices and measurable results that achieve businesses' operational goal of total customer satisfaction, *re* its product and service.

But the thinking that goes into envisioning, strategizing, teaching, inspiring, etc. and leading the institution "elsewhere" is less definitively and less demandingly measured. It should be! Its mastery or insufficiency should be the subject of instructive metrics beyond the other general business consequences.

Boldness is essential. It is one of the ultimate tests of whether or not we have processed and *used* knowledge wisely.

The measure of the quality of the thought applied will be interpreted through the role modelship we show in teaching, in proving our competence at anticipating and committing to go elsewhere versus our counterpart, the manner in which creatively we have added to the options from which we make good judgments, the counterintuitiveness and the ability to synthesize to essence, etc. These demonstrate that knowledge

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is more than our possession of facts and data and information as essential as these are in the excellence of management.

THE HARDNESS OF SOFT VALUES

We must also have a true understanding of values like trust and hope and integrity and respect. These we must know how to apply to our native circumstances and now more than ever to serve the collegial interest of those from many other native cultures.

Some time ago, I was to have the privilege of having my first extended visit with one of our Asiatic executives who was about to become the President of one of our large far east country operations. I spoke to an anthropologist who consulted on matters having to do with that nation. I put the question to him, "Can I talk to our new country president about trust?" His response was direct and useful. "No, you cannot. At this stage of your acquaintanceship, you will confuse him because in his culture trust does not mean the same that it has meant to you and the manner in which you have been imparting it and applying it at Motorola. In his culture, trust first comes from an explicit understanding of all of the factors that are expected. Once he knows what all those detailed factors are with virtually no ambiguity, then he can convey to you in his own way that you can trust him to achieve what have been the defined objectives. But in the culture you come from, Bob, you are willing to deal with more ambiguities and still trust that between you, you will work out a solution truly effective but not necessarily matching consequences to particulars." Knowing how to apply what we know in varying cultures, is essential to our management of that knowledge. As we increase our disciplined appreciation of these intellectual-cultural factors we can additionally enhance the intellectual capital of our broadening institutions.

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CONCLUSION

Thus, the thrust of my message is that the greater value to be achieved under the rubric of managing knowledge and intellectual capital is to be found within us and our peers personally versus otherwise significant institutional policies and practices.

We should *personally embrace:*

- timely mastery, again and again
- teach to learn better
- be best *vis-à-vis counterparts*
- appreciate that knowledge saves time and money
- creative thinking can be taught and learned
- creativity is the differentiator in making judgments
- counterintuitive thinking is more often right
- search for the essence within relevant knowledge
- practice our use of knowledge through recommendations
- strive for leadership through bold activation of what we know
- understand values as well as *facts,* including cultural variances
- strive for highest quality, particularly the quality of thinking

These and similar personal dedications offer promise of moving knowledge toward wisdom.

1996

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ROBERT A. LUTZ
1932–

Robert Lutz is the product development genius who brought the world the sleek Dodge Viper, and who, as president and vice chairman of Chrysler, played a pivotal role in turning the company around when it hit hard times in the early 1990s and flirted with bankruptcy for the second time in as many decades. His childhood was less auspicious, however. Between being a poor student and moving so many times between Europe and the United States, he didn't graduate from high school until he was 22 years old. Having received American citizenship back when he was eleven, Lutz joined the Marine Corps. and became a fighter pilot, serving from 1954 to 1959. Afterward, he enrolled at University of California, Berkeley, where he eventually earned an MBA.

Early in his career Lutz worked for General Motors in Europe and for BMW in Germany, then settled down at Ford, where he rose to chairman of Ford of Europe and then vice president for all international operations. Only after feeling stale did he jump ship to Chrysler in 1986. He reflected, "There was one thing, however, that I quickly discovered on joining Chrysler: that the company, despite its bold demeanor and strong profits, was basically following a *defeatist* strategy in its core car and truck business." Between being susceptible to economic swings and aggressive competition, Chrysler managers thought they could never win.

Lutz, who would retire from Chrysler in 1998 at age 67 only to take the CEO job at Exide Corporation, the worlds largest maker of car batteries, went on what he called a crusade to promote "right-brained thinking," or reliance on intuition to make inspirational cars such as the Viper. Part of relying on intuition means not listening to the customer. In *Lutz's Immutable Laws,* a speech delivered at the University of Michigan, he divulges his principles for succeeding in business, which include: "The Customer Is *Not* Always Right," "The Primary Purpose of Business Is *Not* 'To Make Money,' " and "When Everyone Else Is Doing It, DON'T." The primary quality he looks for in managers is right-brain thinking; in other words, thinking that relies on creativity and intuition.

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Lutz's Immutable Laws

Robert A. Lutz

I believe it was the great English poet Alexander Pope who first observed that "a little knowledge can be a dangerous thing." I'd certainly agree with that sentiment. But, somewhat conversely, I'd also argue that even a lot of knowledge, if it's the wrong kind of knowledge or if it's knowledge unwisely applied, can be a very dangerous thing as well. Indeed, the longer I'm in this business, the more I become convinced that this very issue is the key difference between companies that continue to enjoy success, and those that don't.

Over the past few years, in fact, I've been on sort of a personal crusade at Chrysler to legitimize what, for lack of a better term, I'll refer to as "right-brained thinking." Our industry, of course, has a long and glorious history of intuitive, right-brained thinkers—even geniuses—starting with people like Henry Ford the First, Billy Durant, and Walter P. Chrysler. And, of course, a lot of that intuitive genius unfortunately "devolved" into failure—because intuition simply got taken too far. In modern times, however, I think we've gone too far the other way. We've put so much faith in analysis and "quantification" and other areas of left-brained thinking that we've often missed the forest for all the well-examined trees!

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To the left-brained thinker, the car business is a science — which, of course, it is. But, I would argue, it's not just a science. And that's because buying a car or truck is not — and never will be — a purely rational decision. Perhaps buying a farm tractor is a purely rational decision. But even that, I suspect, involves a whole jumble of emotions and feelings and other intangible — but very powerful — psychological factors, just as with automobiles.

The automobile business, I submit, really is unlike any other business on the face of the earth. Certainly, we're a business that's highly reliant on technology — and, therefore, also highly reliant on things like logic and predictability and, yes, rationality. But the analogy that I like to use is that we actually have a lot more in common with the movie business than we do with, say, the computer business or the electronics business.

The "technology" side of making a movie is certainly important: the film stock, the location, the sets, the authenticity of the props, and so forth. But what is much more important is the creative spark and the inspiration that goes into the film — that intangible "something" that may be hard to quantify or even to explain, but you definitely know it when you see it. That's what makes the difference between a film like George Lucas's *Star Wars* — done, by the way, at a time when conventional wisdom said that the science fiction genre was passé — and all those movies we see that just sort of blend into the woodwork (even though they had big stars and big budgets, and were "audience-researched" to death).

About a year ago I came across an interview from George Lucas himself that I think pretty accurately describes what I'm saying. He was discussing how distressed he was about the current state of mainstream Hollywood. But, as I read this, just substitute the words "the system" or "Detroit" for the phrase "the studio," and the word "car" for the word "movie," and I think you'll see that his analysis could also easily be applied to where our industry has often gone wrong in the past.

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"When I began," Lucas says in the interview, "you'd go to a studio and there'd be three or four people and they'd say, 'Okay, do the movie,' or, 'Don't do the movie.' That was the '70s. But once corporations and Wall Street took over, their way of operating was to create a huge middle-management structure. These are people more interested in stock options than in making good movies, people earning large amounts of money and pretending that they were experts in making movies—and they weren't. And they began to look on the people who made movies as sort of assembly-line workers. They fostered the idea that the talent doesn't know anything, that the talent are idiots, or idiots savants. I mean it's crazy. And you end up with bland and uninteresting movies."

Now, along these same lines, I also came across an interview recently with management expert Tom Peters, of *In Search of Excellence* fame. Peters was asked if he thought the rise of modern, highly-sophisticated market-research tools meant that, in the future, consumers would basically be designing their own products—and that, therefore, the need for creativity on the part of business itself would actually decline.

"No," he said. "I think that's a 50 percent lousy idea. The truth of the matter is that whether we're talking about art, science, or Apple computers, the signature products and services of our time will continue to come from some kinky mind somewhere."

"There is," he continued, "far too much listening to the consumer. This is not saying that when you don't listen at all you turn out better things . . . but the biggest breakthroughs come from people with an egocentric personal vision. The greatest products are the tools and toys that the inventor invents for himself . . . [F]or some business people there's this funny, almost mystical connection with the desires of the consumer—which actually has absolutely nothing to do with watching videotapes of focus groups."

Well, call me "mystical" or call me "kinky" or call me whatever you want, but to me, that's just another way of say-

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ing that the business world in general—and the auto industry, in particular—might want to think about paying a little more attention to things like "intuition" and "instinct" and "feel" and all those other intangible, yet very powerful, forces that can't always be shown on a balance sheet.

At Chrysler these last few years, we've done our best to "destigmatize" right-brained thinking in our company. In fact, we've gone so far with this concept that you might say that the inmates are now more or less running the asylum!

But the results, I think, prove that maybe that's not such a bad idea. We've revolutionized our lineup with products that in my opinion, haven't just replaced their predecessors, but have gone a long way toward truly redefining their respective segment almost every single time. And, by the way, we've just gotten started: Chrysler will introduce, on average, one new car or truck model every three months between now and the year 2000!

But it's not just products. It was also "breakthrough" thinking—throughout our company, but especially in Tom Stallkamp's procurement and supply organization—that has led to our "Extended Enterprise" concept with our suppliers. A scholarly article in the most recent issue of the *Harvard Business Review* calls what we have "an American keiretsu," but actually, I like to think that it's even more than that. I think it proves that there really is a place for honest-to-goodness trust in modern American business—trust that is built upon clear-headed, "win-win" thinking, as opposed to the kind of mutual paranoia that has so often characterized OEM-supplier relationships in the past.

But my favorite example of unbridled creativity at Chrysler is this one: While attending an annual banquet this past spring for employees who had recently received U.S. patents, I was introduced to a retired Chrysler engineer, Mr. Jose Regueiro. He had been awarded a patent for a diesel engine "prechamber" that he'd designed. Now, as a retiree, Mr. Regueiro is under no obligation to continue assigning his patents to Chrysler, yet he does so because he feels he

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owes the company a debt of gratitude for having given him a job after he fled Castro's Cuba some 30 years ago.

To the left-brained thinker, the car business is a science . . . But, . . . it's not just a science. And that's because buying a car or truck is not—and never will be—a purely rational decision.

But what's really inspirational about Mr. Regueiro's story is this: The idea for his diesel prechamber—a tornado-like whirlwind spinning before his eyes—came to him as part of an hallucinatory vision he had while lying near death in a hospital bed, pumped full of pain-killers, recovering from his second liver transplant (and third major surgery) within just 53 hours! As Mr. Regueiro put it in an interview in our company newspaper, "I kid people that if they want to be really creative, have a couple of liver transplants."

Well, there are, I believe, a lot less painful ways to tap the power of creative, right-brained thinking within our organizations! And, while I certainly don't pretend to have all the answers, I do have a few thoughts about how that might be done. In fact, after three-plus decades in this industry, I've now codified these thoughts into what I call—perhaps intemperately, but what the hell!—"Lutz's Immutable Laws of the Auto Business." I'll share four of these laws with you here today. (And, as I do so, please keep in mind that throughout my career my motto has always been, "Often wrong, but never in doubt!")

Lutz's Immutable Law Number One: "The customer is not always right."

In fact, let's face it, the customer—in this business and, I suspect, in many others—is usually, at best, just a rear-view mirror. He can tell you what he likes among the choices that are already out there. But when it comes to the future, why, I ask, should we expect the customer to be the expert in

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clairvoyance or in creativity? After all, isn't that really what he expects us to be? And, isn't it basically shirking one of our core responsibilities as "car people" to foist this kind of critical, value-added responsibility onto the customer himself?

At the end of the day, being "customer-driven" is certainly a good thing. But if you're so customer-driven that you're merely following yesterday's trends, then ultimately, customers won't be driving your supposedly "customer-driven" products!

Immutable Law Number Two: "Teamwork is not always a good thing."

Now, everyone's for teamwork, of course; it's "motherhood and apple pie." We're certainly for it at Chrysler. In fact, in our evolving corporate culture, we're striving to take teamwork to all-new levels. But teamwork can get taken too far, too. In fact, sometimes it's actually a hindrance to true creativity.

In fact, let's face it, the customer—in this business and, I suspect, in many others—is usually, at best, just a rear-view mirror.

There was a fascinating piece in the Sunday *New York Times* a couple of months ago called "Longing for a New Lone Genius." It argued that the same kind of thinking that has led to today's "P.C." movement has also led to such a "leveling climate" in this country that we've all somehow come to the conclusion that good ideas can only be the products of collective, rather than individual, thought—when, in fact, that's hardly the case at all.

The truth is, while teamwork is indeed a wondrous thing, the genesis of truly breakthrough ideas cannot always be "democratized." Truly new and different ideas actually require, as the article pointed out, a kind of defiance. The person generating them must, as the piece noted, "have a

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faith that the new paradigm will succeed with the many large problems that confront it, knowing only that the older paradigm has failed with a few."

That, I would argue, is the exact opposite of the "groupthink" phenomenon that, unfortunately, permeates misdirected (or undirected) exercises in teamwork. And if you've got groupthink, you may all "love one another," but it's usually not long before the amorous lemmings all run off the cliff together!

Immutable Law Number Three: "The goal of business in general, and of the auto business in particular, is not to make money—or at least it's not just about making money."

Now, before I get myself in big trouble on this one, let me explain. Making a profit is, of course, the first and most fundamental responsibility of any business, both to its shareholders and to society at large. But if your view of business is that it is merely just a sort of big, complex money-laundering scheme—i.e., you put money into one end with the expectation that a greater amount of money will come out the other end, and who cares exactly what it is, in between, that actually makes the money grow—then I can guarantee that you're going to absolutely smother all but the most esoteric, financially-oriented creativity in your organization.

Back to Hollywood again, the great film producer Sam Goldwyn once said, "There's nothing wrong with Hollywood that good movies wouldn't fix." Likewise, I have long held that there wasn't much wrong with Detroit that good, creative cars and trucks couldn't fix. And I would argue that if we don't confuse the ends of success (making money) with the means of getting there (producing truly great products), success will, in fact, be much to maintain.

Finally, *Lutz's Immutable Law Number Four:* "Creativity itself—or, rather, creativity all by itself is not always a good thing, either."

It is, in fact, possible to get so carried away with things like right-brained thinking and "empowerment" and "doing

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one's own thing" that we shirk our responsibilities to the customer in a different way: by letting costs get out of control. The fact is, being creative is no excuse for being irresponsible! And, even though I believe we could use a whole lot more right-brained thinking in this industry, what we really need is a lot more holistic thinking—the kind of thinking that utilizes both sides of the brain: the logical left as well as the creative right.

The trick is finding the right balance: the right balance between control and creativity, between teamwork and individual initiative, between listening to the customer and listening to that "little voice" that each of us has inside ourselves.

The truth is, while teamwork is indeed a wondrous thing, the genesis of truly breakthrough ideas cannot always be "democratized."

The Senior Vice President of Human Resources and Quality at McDonnell Douglas, Laurie Broedling, articulated a terrific insight about finding the right balance in a speech recently reprinted in the publication *Vital Speeches of the Day.* She talked about the need to manage on "the edge of chaos," which she defined as that "constantly shifting battle zone between stagnation and anarchy [where] one set of forces (the need for order and control) pulls every business toward stagnation, while another set of forces (the need for growth and creativity) drives it toward disintegration."

The trick, of course, is to stay right on that edge, without slipping into either stagnation or anarchy. And there is, unfortunately, no formula explaining exactly how to do that. And that's because, when all is said and done, it really isn't about the science of management, it's about the art of management.

Years ago, in an article entitled "Management as a Liberal Art," Peter Drucker argued that management is no more

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a science than is medicine a science. Both, he said, are practices—practices that certainly employ various sciences, but which are both separate disciplines in their own right.

I think it's time that we in this industry rediscovered that fact—and, in the process, rediscovered the kind of knowledge that's really worth having. We should do so for the sake of our customers . . . for the sake of our shareholders . . . and, as an extra bonus, for our own sake.

After all, the kind of knowledge I'm talking about really is the "fun" side of this business, the stuff, as they say, "as dreams are made on"—the stuff that makes this business so special and so different from so many other businesses.

In closing, let me come back to the man whose name is on my company's door, Walter P. Chrysler. "There is," Chrysler said in his autobiography, "a creative joy in manufacturing that only poets are supposed to know."

By helping our organizations unlock that creative joy, we can, I submit, all be poets!

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ANDREW W. ROBERTSON

Regarded as one of the shrewdest managers of his time, Andrew W. Robertson was recruited to become chairman of Westinghouse just as the Great Depression hit. Westinghouse had been founded by George Westinghouse in Pittsburgh in 1886. At the age of 22 he invented the air brake, and then pioneered work in electrical plants. The founder stepped aside in 1910 and died four years later, but the company continued to expand, entering the radio and appliance fields. At about the time that George Westinghouse was in the twilight of his career, Robertson was a school teacher, then a door-to-door salesman of aluminum pots and pans, after which he became an attorney for and then head of a utility holding company. When Westinghouse's chairman died unexpectedly, its directors sought outside help to revive the sluggish company; thus Robertson entered the scene.

According to business analysts back then, Robertson inherited a stubborn company that was as "bulky as a hippopotamus." To liven things up, he organized an advertising department (a first for the company) and decentralized operations. Recognizing the opportunity that World War II presented, he guided the company into the military electronics business. In fact, Westinghouse radar equipment on Oahu warned of planes approaching Pearl Harbor on December 7, 1941; unfortunately the powers-that-be assumed they were American planes.

For Robertson, who reigned from 1930 to 1946, management was to be glorified as it makes all things possible—whether it be selling a Fuller brush or running a railroad—and his deification of management is obvious in *Management's Responsibility.* While he covers a good deal of *highbrow* ground, his essay also includes humorous anecdotes and provocative thoughts. Robertson admitted that management must be strong and even dictatorial: "It is anti-democratic, although private organizations flourish best in democratic countries. However, the democratic rule of the majority will frustrate and defeat any management." In other words, he said, the majority is not always right.

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Management's Responsibility

Andrew W. Robertson

Management is to be found everywhere, in our homes, in our personal affairs, in our factories and generally throughout all social functions, economical, political or otherwise. If a thing is thought to be devoid of management, someone is always popping up to inject a little management into it, such as making a managed currency or a wheat crop or managing the supply of cotton, the number of pigs and everything in general. Unfortunately, the various efforts of management do not always harmonize. In fact, more often than not the efforts of different managements are in conflict with one another so that if one management succeeds, the other must necessarily fail. The hunter of seals is directing all his managerial ability to kill seals. Government may be devoting all its managerial ability to keep the seals alive.

Management has been in existence as long as civilization. But in the present age management controls larger groups than in any other age. It is only during the last fifty years that we have seen organizations of national and international scope. Today we think of management as the organizing force in the world of affairs. It is the *know how* of business and industry. It is concerned with order, discipline and accomplishment, and is against disorder and inertia.

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Management uses the intelligence, labor and wealth of man with the materials and forces of nature to produce things or services which other men want. It is absurd, in a sense, to define management to you, but in another sense it is a wise precaution to [ensure] our common approach to the subject. Management is the last and best means by which man, the builder and creator, takes the manifold riches of nature which, in their raw or natural state, are useless to him, and molds them to his needs. The distinction between the work of management and the work of an individual is that the results of management's activities are always for others. To survive, management must produce what others want, whereas the individual, more often than not, is concerned with producing what he alone wants. The multifarious activities of management are beyond description, and some of the activities might be called mismanagement.

Management has been in existence as long as civilization.

Management is necessary to sell a steamboat or a Fuller brush; to run a hat-checking concession or an automobile factory; to operate the Pennsylvania Railroad or a beauty parlor; to give a picnic or conduct a funeral.

Management will function in Europe or Africa; but the higher the standard of living, the better management functions. Or restated, the better management functions, the higher the standard of living.

Our attention is directed to that part of management which has to do with private enterprise.

Management enables man to advance through the helpful cooperation of other men. Alone he is pitiful. At best he is little more than an animal and no matter how brilliant he may be he cannot rise far without the help of others. He is born naked and helpless. He travels but a short distance and

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is tired. His strength wanes unless he is fed. He may know much, but the wisest man has explored only a little bay on the shores of the great ocean of knowledge. Only in the union of minds under capable management does he become supreme. Management unites individuals in effective cooperation. The corporation is the modern vehicle for this purpose. Through it the widow's mite aids the laborer to produce what the consumer wants. Management acts as steward and trustee for all—investor, laborer, and consumer. The results are astonishing. The laborer has received the highest wages for the shortest hours. He has at last found leisure and has become a consumer. He now knows comfort and has luxury. He is unable to appraise his condition as there is nothing in all history with which to compare it. . . .

The world is founded on faith and integrity of others. The goods and services of management are accepted generally upon their face value. I trust the men who make the automobile I buy, and I do not know any of the thousands who have contributed to the finished product. When I step into an airplane I trust my life to the organization which built it and to the pilot who operates it. When I receive a telegram I do not question the integrity of the message.

Management must be honest, capable and wise, even as you and I, and its goods and services must be worthy of highest trust; but it must also accept the task of leadership in the conquest of our natural world. Man must combine his forces to win. Nature is relentless. It will reclaim every secret and recapture every stronghold our age has won unless we are alert to hold it and press on to new victories. It is pleasant to be complacent, but other civilizations as proud as our own have gone down, leaving only broken fragments to tell the story of their glory. Through wise management of our abilities and resources we have advanced far beyond any previous frontier, but what we have gained can be lost. And it will be lost, and retreat will be inevitable, if the attack against business succeeds in curbing management and killing initiative.

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Management has served best in free countries. The United States has been ideal for its development. Here the best talent is drafted from 50,000,000 workers. The managerial type of person is rare. It is not enough to be intelligent, industrious and trustworthy. The management of a great modern enterprise must have special courage, unusual foresight and a knowledge of psychology and human conduct beyond mere book knowledge. The necessary coordination and cooperation of thousands of different individuals, all alien of end and of aim, so that their diversified talents and knowledge are harmoniously directed to accomplish a definite thing, is no small task. Teamwork is what does it.

It is easy to get cooperation, but more difficult to get coordination. August Bruski had a wife and a bright boy of 14 and an older daughter. The peace of the little family was almost wrecked over their willingness to cooperate and their failure to coordinate their efforts. The son won a place on the commencement program of his school. He knew his speech perfectly. The family was proud and happy until the night before the great day when the family decided the boy had no suitable clothes unless he could wear his father's trousers, which were six inches too long. The father wasn't willing to have the six inches cut off and the son was in tears at the thought of wearing them rolled up. However, it was decided, after long debate, that that was the best thing to do and the family retired—but not to sleep. The mother shared the horror of her son at the thought of those rolled up trousers and at last decided to get up and cut off the extra six inches, which she did. Meanwhile, the sister tossed and fretted in sympathy with her brother and finally she, too, decided to cut off the extra six inches in an effort to cooperate. So she got up and cut another six inches off the trousers. Cooperation without coordination will not make our pants fit.

Good management is the rule of the best minds. Organizations controlled by management follow the rules laid down by Plato for the perfect society; namely, "the wisest have the most authority." It is anti-democratic, although private orga-

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nizations flourish best in democratic countries. However, the democratic rule of the majority will frustrate and defeat any management. The crew cannot run the ship. It is popular to think that the majority is always right, but there is as much difference in feeling right and being right as there is in feeling good and being good.

Management is impersonal. It must travel a narrow road.

A friend was crossing one of the many bridges which span the Allegheny River in downtown Pittsburgh, when he was stopped by two robbers who demanded his pocketbook. My friend protested. The robbers replied that they wanted only what was right and fair and would be willing to submit the matter to a vote of the three of them and let the majority decide. With all solemnity the vote was taken and the majority won and my friend lost his pocketbook.

Decisions in organizations under management are never made by weight of numbers. Every decision is made by those persons best qualified by knowledge to make it. Finally, all decisions of each qualified group or division are coordinated into the activity of the organization as a whole.

Management is impersonal. It must travel a narrow road. The twilight zone of human frailties and error, which bounds all our acts as individuals, is denied it. Management may be kind, but not sentimental; liberal, not extravagant; frugal, not stingy. Higher things are demanded of management than we require of ourselves. . . .

The modern world is complicated beyond belief. No one, not even the simplest citizen, lives what might be called the simple life. None of us can truly take care of himself. We depend entirely upon other people for the necessities and luxuries of our lives. Light comes to us over a wire. Heat through a pipe. Water through another pipe. We are

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carried to and from our work in public conveyances. Food is to be found around the corner if we can get the necessary nickels to purchase it, and, if we cannot, government has to furnish it or we perish. In such a world, the need of management is imperative. The minute the mob takes over the power plant the city is in darkness. Order and system, which are possible only through management, must prevail throughout the modern world. The managers of today, imperfect men as they are, are still the pick of all the candidates available and it is their responsibility to maintain the proper functioning of the vital necessities of our life. Management may not quit under criticism. It is not enough to stand up under criticism when one merits it; it is necessary to stand up and take it on the chin when one does not merit it. This is the law of good sportsmanship. It is the law of good society, and management must measure up to it. If anyone is the captain of our modern ship, management is. And it cannot desert its post.

The collateral responsibilities of management are many. Large factories and mass production lead to congested living conditions and the inevitable lowering of health and morals. Management is not directly responsible for the social conditions which are the indirect result of its factories and production methods, but it must nevertheless accept a fair share of the responsibility for these indirect results. The rise of material well-being, which is everywhere apparent, was attained only at a price. The innocent victims of these conditions are helpless. They are the weak and the unfortunate and in every age have suffered ill health and have been poorly fed and poorly clad. But their condition, by proper attention, may be ameliorated and management must accept the responsibility for the amelioration. Just as it has long since accepted the responsibility of securing safe and healthful surroundings in which men work, it must now accept the responsibility of helping employees secure safe and healthful surroundings in which to live. Anything short of this is a neglect of clear responsibility.

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Since we live in an almost wholly artificial world, there would seem to be no escape from providing artificial or man-made aids to health. Parks and playgrounds must be furnished and a reasonable amount of outdoor life provided. The comfort and health of every community must receive constant attention.

Finally, since management can exist only in an environment suitable to its needs, it must recognize its obligation to the society of which it is a part. In many cases society has decreed regulations and restrictions which hamper management and private enterprise, but society is the sole arbitrator of what it considers right, and management must conform. It has no choice. It is as helpless in the face of social restrictions as it is in the face of economic conditions. All management of private enterprise realizes that changing times affect business and may in time render it useless. The canal has gone. The horse and buggy have gone. The street railway and steam railroads are suffering from changed conditions, but management must accept these things and it must also accept proper governmental regulations.

It is not enough to stand up under criticism when one merits it; it is necessary to stand up and take it on the chin when one does not merit it. This is the law of good sportsmanship.

And inasmuch as government is forced by the very nature of things to assume a larger and larger role in our everyday life, regulating more and more what we do and how we live, it needs the assistance of management more than the government of any other age. Management should willingly offer its talents and services to government because management is the only source from which government can get the necessary talent to operate its many activities efficiently. It now ignores management, and management

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scowls at government. They are both wrong. Meanwhile the people suffer. Modern government cannot exist without better management. Management must accept its responsibilities and offer its services to any good government that asks for them. Government has a proper field of regulation which management recognizes and accepts. It is equally true that management has a field of accomplishment which government now lacks and would do well to recognize.

The affairs of man move along with surprising speed and power. We see trade and commerce going on uninterruptedly between individuals and between groups of individuals, with ships crossing every sea and stopping at every port. It is obvious that a well ordered world is necessary for the growth of prosperity and that anything which interferes with the exchange of raw materials or the products of human labor tends to lower the standard of living, but it is not obvious that private enterprise is the mainspring of all our activities. The demagogue ignores private enterprise and considers it of no importance. The situation reminds me of my experience the other day in an airplane. I was sitting forward and looked out the window from time to time. Nothing but the wing obstructed my view. I could see the whole horizon and the ground below at an angle. I repeat, nothing obstructed my view; I could see clearly. I was alarmed when I realized that my view was directly across the end of the motor where there should be a propeller. But there was none. I mean I couldn't *see* one and as far as my eyes were concerned there was no propeller. If I had not known that I couldn't see a fastmoving propeller, I might have assumed that airplanes move through the air by virtue of government regulations, or some mysterious power, without propellers. Sometimes I think we judge our civilization just as faultily. We see things moving along, goods being made, wages being paid, taxes being collected, human beings living and dying with a more or less steady rhythm, and we haven't any idea of what keeps things moving. We can't see the propellers of our civilization. The greater the

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speed of living, or the higher the standard of living, the less people comprehend it. Almost anyone can understand a horsepower civilization and the simple transactions which constitute its life. Grain is planted, harvested and sold; simple goods are manufactured and purchased. The complete round of life is clearly visible. But who among us can get a glimpse of the mechanism of this Kilowatt Hour Age, which is propelled through space almost as fast as the electric current which symbolizes it? Propellers we cannot see may be overlooked and neglected.

Under such circumstances, when the wisest are at a loss, and it seems easier to be wrong than to be right, management must stand by its colors, struggling to maintain the cause of free enterprise in a world threatened with unwise regulation. Free enterprise may confidently hold up its head as representative of one of the most vital functions in our national economy today. It is the one thing which stands between us and a stale, flat, unhappy world of universal regimentation and individual conformity to a single pattern.

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