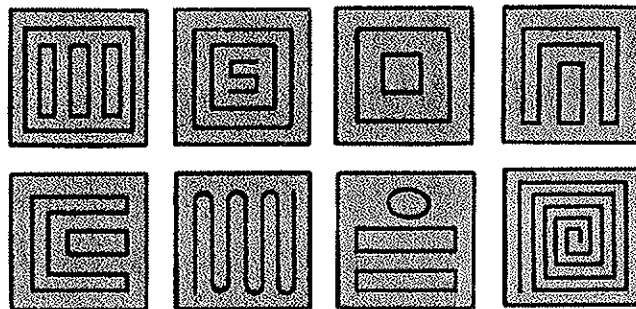


Proceedings of the
15th Annual Meeting

of

The Rural Electric Management
Development Council



"NEW DIMENSIONS IN MANAGEMENT"

Denver, Colorado
May 9—11, 1972

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COUNCIL PREAMBLE

In March 1969 the NRECA membership adopted viewpoints and objectives for rural electrification as prepared by the Long Range Study Committee. This action has significance only when member systems identify with, and develop programs in support of, these viewpoints and objectives. Success in the implementation of such action programs is dependent upon excellent leadership and the effective management of resources, especially human resources.

NRECA, through its Management Services Department, has carried on effective training and development programs for rural electric system managements, both elected and employed, and the results of these programs are obvious in the upgrading of the quality of management in recent years. However, NRECA has limited resources for the research, experimentation, and innovations in management practices that will be required to meet the demands of a rapidly changing social order. Moreover, REA continues to withdraw its advice and assistance to borrowers.

Thus it is clear that some systems must assume a more active role in assuring competent, dynamic management for the future. There are people within the program who are qualified and willing to see that the necessary study and research are undertaken toward this end. Such people have formed the Rural Electric Management Development Council and the following statements express their viewpoints and objectives:

STATEMENT OF VIEWPOINTS

1. We believe that the future success of the rural electric program is dependent upon dynamic management and leadership and that this can best be accomplished through a planned program of Management Training and Career Development utilizing up-to-date management principles and techniques.
2. We believe that research and development of new concepts and approaches to management must be undertaken if rural electric systems are to effectively fulfill the responsibilities inherent in the objectives of the rural electric program.
3. We believe that the development of up-to-date management programs depends on a willingness to innovate, study, and review present management principles and practices and then translate the results of such studies into meaningful programs.
4. We believe that management principles and techniques must be under constant study and review and that this study and review can be done most effectively on a group basis by those most interested and willing to contribute.
5. We believe that dynamic rural electric system management will be enhanced where there has been a maximum exchange of ideas and experiences between those organizations making application of up-to-date principles and techniques.
6. We believe that we should share with all consumer-owned rural electric systems the results of our management practices, experiences, and innovations. We also believe that this sharing will be best accomplished through NRECA and other appropriate organized groups.

OBJECTIVES

- A. To bring together key management people who have demonstrated their application of up-to-date management principles and techniques and who evidence a strong interest and willingness to contribute to study, research, and innovation in the application of management to the rural electric system operations.
- B. To contribute to the strengthening of management in the rural electric program by undertaking management research in areas of current concern and interest.
- C. To develop new management concepts, approaches and techniques that will enable rural electric management to utilize the resources and provide the leadership required for meeting the needs of the people in the ever changing rural area environment.
- D. To develop the means whereby the results of management research and innovation can be clearly defined and widely disseminated to all rural electric systems.

CRITERIA FOR MEMBERSHIP IN THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

I. Active Membership:

Active membership shall be limited to consumer-owned rural electric systems.

Eligibility:

- A. Member-systems shall be willing to accept and support the Viewpoints and Objectives of the Development Council and be governed by the membership criteria.
- B. Member-systems shall have demonstrated the practice of sound management as set forth in the Nomination For Membership.
- C. Member-systems shall be committed to the concept of continuing, comprehensive management development.
- D. Member-systems shall participate in the Development Council through the General Manager and not more than two other employees responsible for the implementation of broad management programs within the system. These participants shall meet the following requirements:
 - 1. Shall have developed a basis of broad understanding and support of the principles of progressive management and have demonstrated their ability to adapt conceptual thinking to successful general management, particularly as it relates to consumer-owned systems.
 - 2. Shall have demonstrated active involvement in delegation of authority, accountability for results, and other management techniques in implementing the broad objectives.
 - 3. Shall evidence a willingness to innovate, experiment, and search for improved methods.
 - 4. Shall be willing to share the results of such activities with other rural electric systems.

II. Associate Membership:

Associate memberships may be held by other consumer-owned enterprises which shall meet the criteria set forth for active membership, but shall be without vote.

III. Requirements for Continuing Membership:

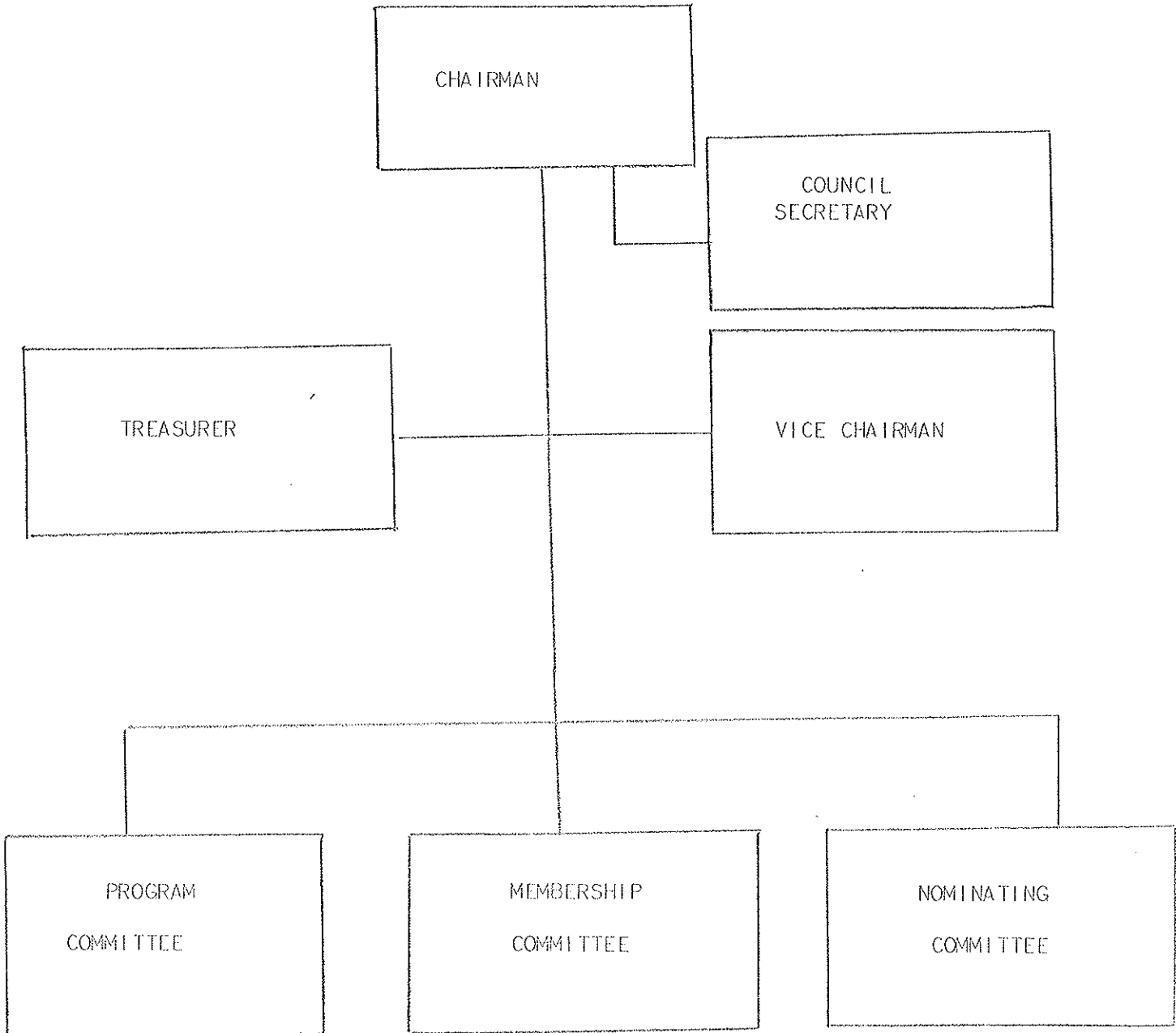
- A. Active and associate member-systems shall pay an annual membership dues of \$100.00, whether or not they attend the annual meeting, and shall

Criteria for Membership - Continued

bear proportionately the cost of research projects and other expenses in excess of the amounts accumulated through annual dues.

- B. Continuing membership in the organization will depend on the individual participants, as designated by the member-system, as follows:
1. Shall give constructive support to the purposes and programs of the organization.
 2. Shall attend all general meetings of the Development Council unless absent with valid cause as expressed in writing.
 3. Shall participate as requested in research projects which have been authorized by the organization.
 4. Shall appear on a Development Council annual meeting program as requested except with valid cause.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL



F U N C T I O N S

CHAIRMAN: To act as general coordinator of the activities of the Development Council and preside at all business meetings. To issue notice of all regular meetings of the membership or special meetings of the cabinet. (The cabinet to be composed of the Chairman, Vice-Chairman, Treasurer, and all committee chairmen). To represent the Development Council in relation to other organizations. Term of office to be three (3) years.

VICE CHAIRMAN: To assume all duties of the Chairman in the absence of or inability of that officer. Term of office to be three (3) years.

TREASURER: To collect all monies due the Development Council including regular membership dues and special assessments. To pay all bills submitted in proper form. To prepare an annual financial statement and forward to the Secretary for inclusion in the annual conference summary. Term of office to be three (3) years.

SECRETARY: To be appointed annually by the Chairman. To keep a record of all proceedings, prepare, publish, and distribute annual conference summary. (May be assisted by Management Services Department of NRECA.)

C O M M I T T E E S

All committees to be composed of a chairman and three (3) members. The Chairman to be nominated by the nominating committee. All committee chairmen and committee members to serve staggered terms of three years each.

PROGRAM COMMITTEE: To determine program content and format for the annual conference and secure outside speakers and appropriate participation from the membership. To provide for subject continuity in programming when desirable. To select the time and place for the annual conference and make all conference arrangements. (This can be accomplished through the Management Services Department of NRECA, including registration.) The committee chairman shall preside at all program sessions.

MEMBERSHIP COMMITTEE: Under the criteria established for admission to membership, select ten (10) organizations each year who are actively engaged in management in the rural electrification field who will be offered membership in the Development Council. Evaluate compliance of member systems with criteria.

NOMINATING COMMITTEE: To nominate all officers and committee chairmen, as necessary, for submission to the annual conference for election. All nominations shall be submitted in writing, certified by the chairman of the committee, and deposited with the conference secretary.

EXECUTIVE ASSISTANT: To assist program committee as requested in planning and arranging for Development Council programs. To keep permanent files for Development Council to assure continuity. NRECA Management Services will designate person to serve in this capacity.

OFFICERS AND COMMITTEES FOR
1972 DEVELOPMENT COUNCIL

Chairman - C. E. Boulson	Term expires in 1972
Vice Chairman - Charles Overman	Term expires in 1973
Treasurer - Bevis Hanna	Term expires in 1974
Secretary - Barbara Deverick	Appointed annually by Chairman

PROGRAM

Chairman - Jim Golden	Term expires in 1972
Jack Cochran	Term expires in 1974
Lawrence Moderow	Term expires in 1972
Clyde Hukills	Term expires in 1973

NOMINATING

Chairman - Charles W. Thompson	Term expires in 1974
Bob Weathers	Term expires in 1972
Jack McEnerney	Term expires in 1972
Norwood Speight	Term expires in 1973

MEMBERSHIP

Chairman - Jack Goodman	Term expires in 1974
Charlie Overman	Term expires in 1972
Olaf Sandvick	Term expires in 1973
Tom Townsend	Term expires in 1974

- A. All committee members and officers elected for a 3-year term.
- B. Chairmen of each standing committee are named by the Nominating Committee and serve for 3 years when elected.

1972 R.E.MGT. DEV. COUNCIL - REGISTRATION

Adams Electric Cooperative, Inc.
P. O. Box 130
Gettysburg, Pa. 17325
Charles Overman, General Manager

Blue Ridge Electric Memb. Corp.
P. O. Box 112
Lenoir, N. C. 28645
Cecil E. Viverette, Executive V. Pres.
Barbara H. Deverick, Adm. Ass't.

Cass County Electric Cooperative, Inc.
Kindred, North Dakota 58051
Willard Grager, Manager
Lawrence Moderow, Exec. Ass't.

Cornhusker Public Power District
P. O. Box 9
Columbus, Nebraska 68601
"Wes" W. Schutz, Manager
Gerald Pearson, Office Manager

Grand Valley Rural Power Lines
2727 Grand Avenue
Grand Junction, Colorado 81501
Al Letey, General Manager

Jackson-Purchase Rural Elec. Cooperative
Paducah, Ky. 42001
James E. Campbell, Manager

Kay Electric Cooperative
Blackwell, Oklahoma 74631
Clyde Hukills, Manager

Morgan County Rural Elec. Assoc.
P. O. Box 738
Fort Morgan, Colorado 80701
E. B. Chesney, Manager
Bevis A. Hanna, Jr.
Bob Pflager, Public Relations Director

North Arkansas Elec. Cooperative, Inc.
Salem, Arkansas 72576
Bob Weathers, Staff Assistant

Ozarks Electric Cooperative
Fayetteville, Arkansas 72701
Tom Townsend, Adm. Ass't.

San Isabel Electric Services, Inc.
316 W. 15th St., P. O. Box 892
Pueblo, Colorado 81002
Ed Gaither, Manager
Doris Ann DePietra, Adm. Ass't.
Stan Lewandoniske, Exec. Vice. Pres.

Sho-Me Power Corporation
Marshfield, Mo. 65706
Warren Johnson, Sales Manager
Hiram Hoover, Personnel Director

Sioux Valley Empire Elec. Assoc.
Colman, South Dakota 57017
Virgil H. Herriott, Manager
James M. Kiley, Assistant Mgr.
Tom Kiley (Jim's son)

Slope Electric Cooperative, Inc.
New England, North Dakota 58647
Norman W. Cross, Manager
Richard Selinger, Staff Assistant

West Plains Electric Cooperative, Inc.
Dickinson, North Dakota 58552
Al Shjeflo, General Manager
Olaf Sandueck, Staff Assistant

White River Valley Electric Cooperative
Branson, Missouri 65616
Norwood Speight, Manager
Clifford Robertson, Staff Assistant

Yampa Valley Electric Association, Inc.
Box 1218
Steamboat Springs, Colorado 80477
James Golden, General Manager
E. V. Bristol, Staff Assistant

Thomas H. Nelson, President
Nelson, Nicol and Company
Windermere, Florida

Louis Strong, Manager
Kentucky Rural Electric Cooperative
Louisville, Kentucky

Dick Smith, Deputy Administrator
Rural Electrification Administration
Washington, D. C.

J. K. Smith, Governor
National Rural Utilities Cooperative
Finance Corporation (CFC)
Washington, D. C.

Chuck Gill, Borrowers Operations Officer
(CFC)

Charles Weaver, Management Services
National Rural Elec. Cooperative Assoc.
Washington, D. C.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

RADISSON DENVER
DENVER, COLORADO
MAY 9-10-11, 1972

JIM GOLDEN, PRESIDING

MAY 9th

9:00 A.M. Registration
9:15 A.M. Valid Aptitude Tests - Hiram Hoover, Sho-Me Power Corp.
10:30 A.M. Coffee Break
10:45 A.M. Personnel Testing for Better Management Understanding
Charlie Weaver - NRECA
12:00 Noon Luncheon Recess
1:15 P.M. Management Research Committee Report
Jim Kiley, Chairman
Sioux Valley Empire Electric Ass'n.
Colman, South Dakota
3:00 P.M. Coffee Break
3:15 P.M. Management Research Committee Report (cont'd)
4:30 P.M. Adjourn

MAY 10th

8:30 A.M. Developing the Managerial Mind
Thomas H. Nelson, President
Nelson, Nicol & Co., Inc.
10:00 A.M. Coffee Break
10:15 A.M. Mr. Nelson (cont'd)
12:00 Noon Luncheon Recess
1:15 P.M. Rural Electric Program in 1982
Bob Kabat, Director
Management Services, NRECA
3:00 P.M. Coffee Break
3:15 P.M. Mr. Kabat (cont'd)
4:30 P.M. Adjourn

MAY 11th

8:30 A.M. General Membership Meeting
9:00 A.M. Future Management Requirements
Charlie Boulson, Discussion Leader
Louis Strong - NRECA
Dick Smith - REA
J. K. Smith - CFC

VALID APTITUDE TESTS FOR CRAFT AND CLERICAL PEOPLE

By: Hiram Hoover

One of the research projects suggested by the Management Council Research Committee at Kimberling City in 1971 was Valid aptitude Tests for Craft and Clerical People.

Mr. Boulson, our General Manager, committed Sho-Me Power Corporation to do some research on this project and develop a program on this subject for your 1972 meeting in Denver. This assignment was given to me. When I was given this assignment, I was reminded of a conversation between two of my neighbors of many years ago. But we have done some research. Most of our information came from contacts with members of the Springfield Personnel Association, American Society for Personnel Administration, Magazine Articles and from a book, "The Law and Personnel Testing", by William C. Byham and Morton E. Spitzer.

The first thing we should consider is the economics of testing for any group of employees. Let us take a hypothetical case - say we hire 10 people each year in the two classifications. It costs so much to recruit and train each one of these employees, more for some than others. We must compare the cost of the tests to benefits derived from testing. Let us suppose it costs \$2,000 to recruit and train employees for either of these classifications. Then suppose it costs \$1,500 on the average to administer our testing program. If we are able to come up with one more satisfactory employee each year as a result of using tests, then we would assume testing is a feasible program. There are a number of questions concerning Personnel Testing.

The passing of the Civil Rights Act in 1964 has caused many companies to take a new look at their methods of hiring and promoting present employees already with the company. The Dan River steam station of Duke Power Company is a good example.

Since this time the use of tests for hiring, promoting, and other employment purposes has been challenged because of their potentials for subtle discrimination. As a result, the number of companies testing personnel has dropped significantly, a recent survey indicates.

One reason for the decline in testing has been the Equal Employment Opportunity Commission's requirement that companies validate tests to avoid racial bias. Since validation involves providing correlation of success on a test with success on the job at a fairly strict level of statistical significance, many companies have decided that the investment of time and money needed to validate their programs is not worth the benefits.

In a nationwide survey on "Personnel Testing" conducted in 1971, A. S. P. A. and the Bureau of National Affairs, Inc., only 55% of the companies polled said they were testing at that time. This is a drop of 30 percentage points from the number of companies who said they were testing in a similar survey conducted in 1963 by B. N. A.

Among those companies which have retained personnel testing, the current survey showed that more than half have already validated their programs to show that success on the test correlates statistically with success on the job. Better

than two-thirds of them have found that success on the test correlates positively with success on the job. The most frequently mentioned criteria for measuring success on the job are ratings of performance by supervisors.

Special validation studies for minority group test takers have been made by only one in five of the companies surveyed, but it should be noted that a number of others mentioned their knowledge of the fact that minority people often do better on the job than they do on tests.

The majority of the firms which do test use standardized tests, both alone or in combination with in-house tests. Larger firms tend to develop their own tests more often than smaller firms, and many are creating their own norms for performance on both in-house and standardized personnel tests.

By employee group, the survey results show that office workers are the most frequently tested employees, with 94% of all firms which test administering them to this group. Both large and small companies also report similar frequencies of testing other employee groups with the exception of management and technical personnel, who are tested far more often in large firms.

Apart from the issue of possible bias, companies have been re-examining their testing practices in general to determine whether they are in fact doing the screening job that they are supposed to do. Some of the representative changes which have resulted within the last three years, according to A. S. P. A. and B. N. A. survey reports, are making tests more specifically job related, testing for information purposes rather than hiring criterion, more oral interviewing, greater use of in-house tests, and the criterion of special norms by the individual company for both the standardized and in-house tests.

The Logic of Testing, the individual differences of applicants can be measured. We are able to predict future performance by present and past, and proper tests will give an early understanding of the individual. Tests should not be used solely to select and too many times are used as a crutch. One weakness of testing is job irrelevance; many companies use the same tests for custodian and chairman of the board.

There are two levels of irrationality that costs American Industry thousands of dollars each year.

The first is hiring and initial selection. Some companies have worked out systematic procedures for hiring and selecting new employees, but they have not always determined the efficiency of these procedures. Companies that have gone to the trouble of validating their selection procedures have often been disappointed by the results. The degree of accuracy of selection procedure has been in a range of 40 to 60%, some procedures at a lower level. Many businesses still suffer from what we call the Myth of the Omnipotent Interview. Most executives consider themselves expert interviewers and evaluators of people. Yet studies of the predictive accuracy of typical interviewing procedures have shown these levels of accuracy to be low. Many factors are related to the shortcomings of the interview, probably the biggest sin committed by the interviewer is talking instead of listening. Many times we conclude the applicant has great potential because he is a good listener. Irrationality in personnel decisions also occurs at the level of promotion, after the individual has become a member of the team. Promotions are, in effect, implied predictions of success at a higher level of responsibility.

The levels of predictive accuracy have been relatively low in the few studies that have been made. One reason for this - many companies fail to establish agreed upon and explicit criteria for successful performances at different management levels. Therefore, in many instances, it is virtually impossible to determine on any kind of reasonable systematic basis, whether the individual is succeeding in his new position or not. Nobody has taken the time to define precisely what is expected of him. Hence feelings that "Joe doesn't seem to be working out" or that "Harry is doing a bang up job" are more often related to some personal relationship, superficial impressions, and prejudice than to objective evaluation based upon explicit performance criteria.

The second aspect of the limited predictive accuracy of promotion decisions, is that performance, as such, is often a poor predictor of ultimate managerial success. A classic example of this phenomenon is the cracker jack salesman who is promoted to the position of sales manager and fails miserably.

Selecting tests is important part of testing program.

1. Achievement - Measures what has been acquired in the past. These tests purport to measure proficiency rather than capacity. They are, therefore, used for job applicants who have had experience or training on the job. Typing, shorthand, spelling, and vocabulary tests measure knowledge rather than aptitude. Achievement tests are especially important to companies that have no training facilities and must hire people who are already proficient.
2. Aptitude - Predicting what can be acquired in the future. Aptitude tests may save the high cost of training hires who cannot benefit readily from the training. These tests are frequently employed when the applicants have not had the experience or training.
3. Personality tests are most controversial kind of test. Both their accuracy and managements right to use them have been questioned. Most popular personality tests were developed for classifying and diagnosing mental illness. Few personality tests have been developed specifically for industry, they have been used by industry and government to measure underlying personality traits such as motivation, drive, empathy, need for achievement, etc. Most test experts generally believe most personality tests are misused and probably are ineffective. Invasion of privacy is another problem inherent in the use of some personality tests. Questions dealing with sex and religion may be extremely relevant for clinical purposes, but they are considered offensive when used for industrial purposes.
4. Intelligence tests have been widely used for industrial selection as a measure of general learning ability. A high score may mean the applicant has the capacity to learn a job, but it does not mean that he presently has the specific job abilities or motivation required to be successful. Every employer seems to want his employees to be intelligent. Many companies have imposed qualifying scores considerably higher than the intellectual demands of the job offered. In many cases, the over qualification of the new hire has resulted in dissatisfaction and early termination.

Another thing the extent that test has been developed, standardized and validated for a population of one background such as white, middle class people, the test may unfairly discriminate against those of a different background. To illustrate

this, the Ghetto Language Test has been constructed to be biased against the white population.

The key issue of tests for state and federal agencies as well as the courts and unions is job-relatedness or as psychologists would say, is test validity. EEOC and OFCC maintain wherever technically feasible criterion validity must be established before a test or other objectively scored selection device can be used. Also when tests are used to determine applicants qualifications for a particular job, there must be data to show that the test standard is related to the job standard, that applicants who score above the test standard will work at or above the job standard and that applicants that score below the test standard will work below the job standard. Federal courts have indicated willingness to accept both rational validity and criterion related validity as the use of tests. The definition of rational validity as it is emerging from the court decisions seems to be based on common sense judgments of the reasonableness of the test or other procedures, on scientific data available on the test, and on the professional judgments of expert witnesses. To protect itself, a company should come as near as possible to the criterion-related validity as suggested by the EEOC and OFCC has repeatedly been shown to be a sound business practice which should be goal of every company rather than to just try to comply with EEOC and OFCC regulations.

What is validity? There is no simple single procedure to measure validity. Instead, a number of different research strategies are used to determine the magnitude of the relationship between an assessment technique - test, interview, and so on - and some independent measure of a standard - a particular skill overall job performance and so on. Any one or several of the strategies can be used, depending on an organization's purposes and the nature of the selection problem - such as number of people to study - or complexity of standards. Despite the variety of strategies, the basic concept of validity remains relatively simple. Are scores on an assessment procedure related to scores on a relevant standard?

Rational validity is a function of two factors: Whether the test, per se, is valid and whether the job for which the test is used to select does require the test measured attribute.

Establishing the second leg of rational validity by determining the attributes necessary for acceptable job performance, like so many factors in the testing area, is easier said than done. There are three bases of evidence which can be used - job analysis, expert opinion, research studies - from other companies. Job analysis is the method most preferred. Job Analysis--this is the most demanding method of establishing rational validity and requires considerable time and effort in the case of a cashier which we all have. A thorough analysis of the cashier's job must be made, examples of the types of arithmetic calculations must be obtained, and the availability of adding machines and calculators must be considered; does the cashier have to do all the figuring in her head? This step should be conducted carefully and thoroughly, and as much documentation as possible should be obtained. In the event of litigation, the judge would be much more impressed with an exhibit of concrete examples of arithmetic manipulations needed on the job than someone's judgment, no matter how expert. It is possible to establish job-content requirements for skills such as arithmetic, mathematics, reading, spelling, typing, stenography, English, grammar, and foreign language proficiency. The secret is careful research into job content. Business executives are famous for demanding higher clerical skills in their secretaries than the job really calls for. Any large personnel operation regularly encounters secretaries

who quit because their steno or typing skills are atrophying. Yet when the department attempts to replace the secretary with a girl of less skill, the executive often will not accept her. Professionally trained people should be used to conduct the job analysis, especially for complex jobs. To speak briefly of the other two expert opinion and research studies from other companies, the EEOC guidelines and from statements of EEOC officials, it would seem these agencies generally do not think too highly of it. Nevertheless, courts seem to rely heavily on the judgment of industrial psychologists. A number of psychologists are making a minor speciality of testifying in court cases. There are three keys to the effective use of expert advice in test selection. First, the experts must be an expert. Second, he must have intrimates, practical knowledge of and experience with the kinds of tests likely to be used. Third, he must be thoroughly familiar with all aspects of the jobs for which the tests are to be used for a selection aid. It is in the third area that many attempts at using experts fall down. No expert can legitimately prescribe a test based on a second hand description of the job in question. Almost never can he prescribe a test based on written job descriptions, they just do not provide enough detail. An on-site study needs to be made, situational factors such as physical working conditions or time pressures need to be noted. In trying to use research studies from other companies, I find very few studies have been made. More on clerical jobs, the higher the level of the job, the fewer studies there are. Two jobs with similar titles may be quite different in content.

No one would deny that a secretary's job differs between companies and between bosses in the same company. A clerk-typist in one company may type only copy, while a person with the same title at another company may type only figures. Only research evidence is recognized as a means of establishing validity.

One more point needs mentioning. In using job content to determine the appropriateness of a test, the company must consider whether learning will take place on the job. In many jobs, such as secretarial work, a new employee is expected to function at full-skill level immediately. In others, on-the-job learning is expected; thus, the applicant should be selected on the basis of his capacity to learn the needed skills, rather than his present skill level.

Criterion - Related Validity

Criterion-Related Validation of tests or other personnel information about an applicant is merely a formalization and a statistical verification of the relationship between the tests and some criterion of job success. When a manager interviews an applicant, he usually thinks about how that applicant is similar to or different from successful employees he has known in the past, whether his view is right or wrong, a typical manager is likely to look with favor on a graduate of a certain college if the last two graduates of that college he hired were successful, or he may remember that applicants who score high on the introversion scale of a personality test do not make good managers. In other words, the manager determines consciously or unconsciously what personal characteristics differentiate his successful employees from his less successful employees; and second, stack up the applicant in relation to those characteristics.

This is exactly what takes place when criterion-related validation research is conducted, but the research has three advantages no individual manager has. First, criterion-related validation research combines information on many applicants working for many different people, a manager can follow up only a few applicants.

Second, criterion-related validation can evaluate a large number of personal attributes. Because a typical manager does not record the personal characteristics of each applicant he hires and then make comparison between those who are successful and those who are unsuccessful, he is likely to miss important characteristics. He has to rely on his memory and is often overly influenced by the characteristics of the last successful or unsuccessful applicant he hired.

Third, by taking a systematic approach, impossible for any one manager, criterion-related validation is able to detect differences, even small ones, among applicants and determine the probabilities that those differences are significant.

As these advantages indicate, a criterion-related validity study can do a thorough precise job of determining the characteristics that differentiate between successful and less successful applicants and can, therefore, enhance the possibility and accurate prediction at time of hire. Clearly, the major consideration in choosing a criterion is organizational relevance. The criterion must reflect the needs of the organization at a given time, and tests must be selected to measure the attributes related to this criterion. As mentioned, criteria, that are relevant today may not be relevant tomorrow. There are two methods of establishing the criterion-related validity of a test or other instrument. One method uses current employees and is called concurrent validity. The other uses new hires or applicants and is called predictive validity. Each has its own advantages and disadvantages. The method used would depend on the situation.

In concurrent validity, the tests being validated are administered to job incumbents, and measures of their job performance are obtained at essentially the same time. (This model has been referred to as the present employee method, because job incumbents are used to obtain both test and job standard data.) Statistical procedures are then employed to determine validity; that is, whether the test scores differentiate between good and poor performers. If valid, the tests are used to predict the job performance of applicants on the assumption that the test will be as effective in identifying applicants with high potential as it was in identifying job incumbents with good performance records. The accuracy of this method rests on assumptions and are not always justified; for example, test that show that successful job incumbents have different interest patterns from those of unsuccessful incumbents are concurrently valid, but the tests may not be useful for selection. The interest that characterize successful employees may have developed after the group was employed, and cannot, therefore, be expected in large proportions in the applicant population. For example, better managers may read more books and journals about management than poor managers, but this difference in reading habits was developed after they became managers and may not be found in applicant groups.

Two other problems are the fact that there is likely to be a greater difference between a really good applicant and a really poor one, that between the best incumbent and the poorest because of prior screening, and secondly, the present work force is likely to be predominately white and male. Measures of validity based on this group may not be applicable to minority group or women applicants. If there is a sufficiently large number of minority employees or women, however, concurrent validity may be used and would be acceptable evidence of compliance with OFCC and EEOC regulations.

Predictive validity or follow-up model of validity, test scores are obtained at or near the time of hire and are related to measures of job performance obtained after a specified time on the job. Tests are administered, applicants are hired on the basis of the usual hiring standards without regard to test scores, and

performance measures are subsequently obtained. Then, and only then, is the relationship between test scores and performance measures evaluated. Major discrepancies can develop because of the time element before legitimate criterion of success is obtainable. During that time the nature of applicant might alter radically because of changing economic conditions or changes in the neighborhood in which the facility is situated. If the applicant population or the jobs change significantly, validation information is worthless.

Sound business practice would seem to require that all organizations validate their tests and other selection instruments carefully and systematically before using them. The evidence is quite to the contrary. It is estimated that less than 5% of American companies have validated their selection or advancement tests. Because of the emphasis on statistics and the complexity of validation, it would be wise to have professional help, as there are far too many pitfalls for a layman.

We would now like for everyone to take this Personality Inventory Test. (See Exhibit No. 1 and 2). This is for everyone to see how they like to take tests and each person will check their own paper to see what kind of person you are.

I am sure we all agree that a happy employee makes the best employee. This little reminder was in this issue of R. E. C.

Happiness has a habit
Of pursuing people who:
Are grateful to their God
Comfortable with their Conscience
In favor with their friends
In love with their labor, and
In balance with their banker.

Thank you very much for your kind attention.

Answer the questions as honestly as you can, then check the scoring section and see the portrait you yourself have drawn about you.

- _____ 1. You're invited on a skiing trip. You're anxious to try but you've heard that beginners can break a leg. Would you:
- (A) Say no with thanks?
 - (B) Hesitate, then accept?
 - (C) Accept at once?
- _____ 2. About your first date
- (A) You can recall it at once.
 - (B) You can recall it, but with difficulty.
 - (C) You haven't the vaguest notion any more.
- _____ 3. Do you believe that:
- (A) Love can hit you at first sight?
 - (B) At first sight, all you can feel is strong attraction but love can come shortly thereafter?
 - (C) You must know a person at least a year before you can really be in love.
- _____ 4. When you mail an important letter, do you find that you:
- (A) Jiggle the mail box lid a few times to make sure it has gone down?
 - (B) Jiggle it many times?
 - (C) Never jiggle the lid at all?
- _____ 5. Ed Miller must make a big decision about selling his house. Should he:
- (A) Get advice from friends, then make up his own mind?
 - (B) Make it on his own without help -- after all it's his house and his problem?
 - (C) Go along with the majority opinion of his friends, even though he may feel otherwise, since they may be right and he wrong?
- _____ 6. You've parked your car and walked four big blocks to your destination. Suddenly you realize you have not locked it. Would you:
- (A) Go back and check?
 - (B) Hesitate, consider returning then decide not to go?
 - (C) Say the heck with it and take a chance?

- _____ 7. If you came down in the morning and found somebody had read your newspaper and crumpled it all up, would you:
- (A) Be really teed off?
 - (B) Be somewhat annoyed?
 - (C) Not care at all?
- _____ 8. When you see sad movies, do you:
- (A) Always feel like weeping?
 - (B) Choke up sometimes?
 - (C) Remain dry-eyed and look upon the weepers as sissies?
- _____ 9. There's a stop sign at a lonely intersection and not a car or cop in sight? Would you:
- (A) Stop anyway?
 - (B) Slow down a little?
 - (C) Shoot right through the sign?
- _____ 10. You're at the airport to take a jet for a distant city. There's a big deal on tap that may net you a sizeable sum but you must make this plane or you lose out. All morning it's been cloudy and now a slight rain falls. Nevertheless, the planes are still coming and going on schedule. Would you:
- (A) Cancel your flight?
 - (B) Hesitate a long while, then go aboard after buying much more insurance than usual?
 - (C) Get aboard without a moment's thought?
- _____ 11. Jack calls you and asks what you think of Bill, a mutual friend. You give your frank opinion, some of it not complimentary. Then you discover it's a gag, that Bill is actually listening in on an extension. Would you:
- (A) Feel sorry for Bill? After all, he led with his chin?
 - (B) Laugh the incident off?
 - (C) Apologize to Bill for your frankness?
- _____ 12. The restaurant is jammed. You ordered a sandwich on white and you get whole wheat. Would you:
- (A) Take it anyway?
 - (B) Grumble a little but accept it?
 - (C) Send it back?
- _____ 13. If your mate meets an old flame, would you:
- (A) Ignore the person?
 - (B) Heap loads of ridicule?
 - (C) Wonder why your spouse didn't marry the other individual?

- _____ 14. It's the day before the bowling finals, big golf tournament or some other important event you're in. Would you:
- (A) Feel rarin' to go?
 - (B) Be a little queasy inside?
 - (C) Be a whole lot queasy and wish the whole thing were called off.
- _____ 15. Which of the following do you really dislike? If none, skip the question:
- (A) A day lolling on the sand at the beach?
 - (B) A day lying on a hammock in the sun?
 - (C) A day on a screened-in porch?
- _____ 16. If somebody would inspect your clothes closet and dresser drawers right this minute, he would find them:
- (A) Neat as a pin.
 - (B) Fairly neat but not worthy of any medals.
 - (C) An unholy mess.
- _____ 17. Somebody at your house has sent you to the supermarket for canned soup, specifying a certain brand. That kind is sold out but there's plenty of another brand. Would you:
- (A) Call up home and ask for instructions?
 - (B) Try another store?
 - (C) Just pick up the other brand?
- _____ 18. You've gone to a fancy restaurant for a birthday or anniversary dinner. On the menu you spot some unusual items you've always wanted to try but the meal is expensive and the money will be wasted if you don't like the dish. Would you order:
- (A) Something tried and true?
 - (B) Something you've had once or twice?
 - (C) The exotic item you've never had?
- _____ 19. Old Joe Kennedy, patriarch of the Kennedy clan, always demanded that his children be first in everything. If they lost a swimming race or tennis match, he'd insist on knowing why, and make them practice all the harder to win the next time. Do you feel this technique of bringing up children is:
- (A) The best way?
 - (B) Not exactly wrong but should be modified -- after all second place is okay too sometimes?
 - (C) The worst way?

- _____ 20. A touchy issue has come up in an organization to which you belong. Would you:
- (A) Come right out with your opinion not caring what others may say?
 - (B) Get an idea of how others may feel before deciding on a stand?
 - (C) Go along with the majority?
- _____ 21. If you were the boss, would you:
- (A) Crack the whip and never mind who gripes?
 - (B) Put away the whip, since people work best when not pressured or needled?
 - (C) Keep the staff as happy as possible because that's the way you get best production?
- _____ 22. How do you feel about eating lobster. Do you:
- (A) Hate the stuff?
 - (B) Think it's pretty good but don't like it too often?
 - (C) Love it?
- _____ 23. For maximum health and happiness, married people should sleep in:
- (A) Double beds.
 - (B) Twin beds.
 - (C) Separate rooms.
- _____ 24. Everyone in the crowd wants to see a great new movie, but you've already seen it on an out-of-town trip. Would you:
- (A) Go along and not tell anyone?
 - (B) Say you've seen it but agree to go?
 - (C) Say you've been and insist on going elsewhere?
- _____ 25. After you get through with a day's work, are you generally:
- (A) Well satisfied with what you did?
 - (B) Pretty well satisfied but feel there was room for a little improvement?
 - (C) Plagued by the thought that you could have done much more and what you accomplished was poor?

Please check the scoring section and find out what kind of a person you are.

Give yourself five points for each (A) answer you checked, three points for each (B) answer and one point for each (C) answer.

Total up your scores for Questions 2, 3, 8, 13 and 21. If you rated 14 or more, you're an incurable and impractical romantic whose daily work might well be impaired because of day-dreaming. A score of 5 to 9 indicates an overly-practical individual whose feet are too firmly planted on the ground. Inbetween ratings show a good balance between the romantic and practical.

Total up your scores for Questions 1, 4, 10, 17 and 18. 18 or more indicates that you're overly-cautious, unwilling to take the gambles that are often necessary for success. A score of 5 to 9, however, shows a reckless nature that might get you into trouble unless curbed. Best rating here is in the middle.

Total up your scores for Questions 5, 14, 19, 20 and 21. Rate 18 or more? You possess excellent executive potential because you understand the factors that go into the making of a good boss. The lower your score here, the less boss potential you possess.

Total up your scores for Questions 6, 7, 15, 16 and 22. 18 or more means you're a fusspot. You probably waste considerable time perfecting work that doesn't need perfecting. The higher your score, the more marked your perfectionist tendencies. Tip to high scorers: Perfectionism results from a basic lack of confidence in one's own abilities. Too much can hurt, so try to develop an appreciation of your own value and importance. Once you feel pretty good about yourself, perfectionism will ease up.

Total up your score for Questions 9, 11, 12, 24, and 25. The higher you score, the more emotional maturity you possess. 18 or more is excellent, while 5 to 9 is poor. Few qualities are more important to your happiness than a reasonable amount of EM. The emotionally immature fellow usually sulks badly when he loses out on a promotion or raise, doesn't take job bumps in stride, flies off the handle in a tense spot. But the man who is grown up emotionally as well as physically keeps calm, works effectively and generally can handle life's stresses and pressures adequately. Under normal circumstances he's the guy who moves up fastest.

PERSONNEL TESTING FOR BETTER MANAGEMENT UNDERSTANDING

By: Charles Weaver
NRECA

NOTES TAKEN FROM MR. WEAVER'S PRESENTATION

Question raised by Mr. Weaver - "How do you use test data from a point of view of what is fair to the individual, the ethics of it, the morality of it?"

Two words considered necessities in testing - Reliability and Validity. That is, does the test measure what it is supposed to and does it predict anything so far as the job is concerned that is related to the job.

Two new words added to Reliability and Validity - they are Legality and Ethics.

Even the most objective tests are questionable.

Use tests - not forgetting ethics.

Some things can be measured internally for greater understanding.

Tests can help bring about:

- (1) Better relationships between people
- (2) Stronger working teams
- (3) Better development of people
- (4) Reduction in conflict

The type of testing discussed here is not the "Can he do it?" type of test, but rather the testing which measures "Will he do it, does he have the interest, the judgement, and the temperament" to use the abilities measured with the "Can he do it?" type tests.

A person could have the ability to be a good accountant, but not have the temperament for an accounting position.

The Thurston Temperament Scale measures the "Will he do it".

Don't depend on one test, unless you are a psychologist.

Ethical Base - How will you use test data? What is your purpose?

You can use testing to develop a description of a person. With testing, you can develop a description of a person so that he then knows himself better. If this can be properly communicated to him, you have a chance of helping him.

So we say (1) Know thyself and (2) Know thy boss. If a boss and a man can lay these things down in front of each other and talk about their relationship on the basis of the difference of their strengths and interests and the things they are interested in, this can develop the kind of relationship that cannot be reached in any other way, unless you happen to have two wonderfully empathetic people.

Two things which must be understood in relation to the ethics of personnel testing are: (1) The willingness of the individual to be tested and to discuss the results, and (2) Test results must be completely confidential.

Testing shows two pictures of a man (1) View of Job - the way he sees the job, and (2) View of self - the way he sees himself.

Several case studies were reviewed and discussed.

QUESTIONS AND COMMENTS BY AUDIENCE

Question: What do you do as a result of what you discover in this type of testing?

Answer: Counsel, train, restructure the job.

Comment: If you have an organization plan for your business not tailored to present personnel, it is no good. Throw it out.

Question: Will NRECA do this testing and general interpretation? If so, how much time is involved?

Answer: NRECA will do the job. In previous experiences it takes about five days for testing a staff of nine.

Question: Why don't you recommend using testing of this type for job selection?

Answer: The legality question.

Group was left with the question, "What are the future uses of testing for rural electric cooperatives?"

REPORT OF MANAGEMENT RESEARCH COMMITTEE

By: James Kiley

The Rural Electric Management Development Council is comprised of managers and key staff representatives of approximately 30 to 40 rural electric systems who meet annually to discuss new methods, techniques, and innovations in the field of Management.

For the past two years, I have served as Chairman of the Management Research Committee of this group. It has been our assignment to attempt to identify those areas in which the need for management research and development most prominently exists.

It was the conclusion of our group that the most pronounced and immediate need exists in terms of management standards. Standards for management, selection, training, and performance that can be realistically applied to rural electric systems.

In recent years, particularly the past two or three years, we have noticed a high rate of turnover among directors, managers, and key staff people. In many instances, these long time, dedicated directors and employees are being replaced by people of limited qualifications and, thus, the need for training is obvious.

We are of the opinion that there is a vital need for the development of an awareness on the part of directors and managers as to how their system measures up to the management requirements of today's and tomorrow's rural electric system. We recognize the outstanding job of training and consulting that has been done by NRECA's Management Services Department, however, we feel that a situation is developing within the Program today that demands that most, if not all, rural electric systems get involved in a systematic program of management development.

We have what we feel is endorsement of these ideas from NRECA, CFC, and REA.

The following resolution was presented to the NRECA Management Advisory Committee to endorse and include for consideration at the 1972 NRECA Annual Meeting.

RESOLUTION

WHEREAS, the accomplishment of the objectives of the Rural Electric Program depends largely on the most effective management of available resources through the application of modern management principles and cooperative philosophy, and

WHEREAS, large numbers of directors, managers, and key staff employees are leaving the Program through retirement, death, and other causes and, at the same time, it is becoming more and more difficult to find replacements for them who have the qualifications, skills, and philosophy required to fully assume these management responsibilities, and

WHEREAS, few rural electric systems have taken action to establish a formal plan for managing system operations, including the measurement of system performance, and

WHEREAS, currently applicable standards for measuring individual system performance are either unrealistic or unavailable, and

WHEREAS, rural electric leaders from all segments of the Program have expressed their great concern of the effect these developments have, and will have, on the ability of rural electric systems to achieve results consistent with Program viewpoints and objectives,

NOW THEREFORE BE IT RESOLVED AND RECOMMENDED that a National Program for Rural Electric Management Development be created, funded, and implemented to accomplish the following objectives.

OBJECTIVES

1. To identify those Management Programs and Practices which must be instituted and implemented if individual systems are to effectively manage available resources and achieve results consistent with Program viewpoints and objectives.
2. To achieve widespread voluntary participation by individual rural electric systems in a program of examination and evaluation of their current Management Programs and Practices and to achieve favorable acceptance and follow-up on the recommendations which result from such examination and evaluation.
3. To have readily available such Management information, training and other services as is required by individual rural electric systems to permit them to make rapid progress toward Management development goals.
4. To establish standards of Management performance which are consistent with Program viewpoints and objectives and which can be applied appropriately to rural electric systems of various size and localities.
5. To establish a program of recognition and certification for systems which demonstrate Management practices and results consistent with established standards of Management performance.

BE IT FURTHER RESOLVED AND RECOMMENDED that this Program be coordinated and administered by NRECA and that they enlist the participation of key representatives and leaders from all segments of the rural electric program.

A SUGGESTED MANAGEMENT DEVELOPMENT PROGRAM

To assist in your consideration of such a program, we offer the following steps as a guide in the development of the specific Management Development Program.

1. The development of a chronology of the entire program, including specific detailed activities along with deadlines for accomplishing each step.
2. The development of a plan for publicity, promotion, and expression of support by REA, CFC, and NRECA. In addition, support and endorsement of the NRECA Management Advisory Committee and Statewide Organizations would also be highly desirable.
3. Development of the individual system examination program. This would require the identification of the Management Programs and Practices that should presently be in effect. The identification of the information that each system would be requested to supply, along with the development of certain questions that would have to be answered, should be a joint undertaking involving representatives of REA, CFC, and NRECA. We would assume that it would be coordinated by NRECA. Following the development of the examination process, it would be tested on certain systems in order to verify its applicability. Following this, the Program would be announced and administered by NRECA. It is assumed that this program could be conducted through the mail at a fee and that NRECA would draw conclusions as a result of their examination of the material submitted and then make recommendations regarding indicated follow-up action. It is anticipated that these recommendations would include those things a system could do on its own and also those areas where there is an apparent need for training, or other management services.
4. A more long-range goal would be the development of standards of performance for rural electric systems in each key performance area. This process would:
 - a. Identify measurable indicators of acceptable performance in each KPA.
 - b. Be flexible in its application to systems of various sizes.
 - c. Involve in-pu-t from REA, CFC and NRECA.
 - d. Require utilization of recognized expertise in various fields.
 - e. Require the full time of a professionally qualified coordinator for approximately one year.
 - f. Require a budget of approximately \$50,000.
5. After the standards development process is completed, a program of recognition and certification would be established wherein individual systems could apply for and have their system certified as performing consistent with National Program standards.

This entire process is based on the basic assumption that the managers and directors of today's rural electric systems truly want their system to operate in the best interests and to the maximum benefit of their members and the rural community. We, of the Management Development Council, believe strongly that the adoption and implementation of the resolution and a National Management Development

Program consistent with what is outlined here is vitally needed and will result in rapid progress on a widespread basis toward improved rural electric system management.

The NRECA Management Advisory Committee was sympathetic, but resolution was not presented to the 1972 NRECA Annual Membership Meeting for its consideration.

Committee has gone about as far as it can go.

Question from the Committee is "Where do we go from here?"

Members of Committee: James Kiley
Everette Bristol
Jack Goodman
Charles Overman (1)

(1) Replaced Cecil Viverette

- - - - -

Reaction to report of Management Research Committee was that the program recommended needed to be developed and that this could possibly come about by

- (1) The Rural Electric Management Development Council putting some of its funds into the project to "seed" it.
- (2) Seeking assistance from the REC's banker, CFC, to fund the balance.
- (3) Asking NRECA to carry out the program assisted by REA.

These suggestions were later presented in a business session of the Council and a motion made supporting the recommendations of the committee and action to get the program underway. See Minutes Page 56.

DEVELOPING THE MANAGERIAL MIND

By: Tom Nelson

NOTES TAKEN FROM MR. NELSON'S PRESENTATION

Nelson commented on the report of the Management Research Committee. He stated he was happy to see what the Council was doing through the research committee and suggested that assistance might be obtained through a foundation.

- - - - -

Nelson traced the development of managerial training programs from the administrative management program which used mixed technologies such as accounting, financing, marketing, etc. followed by the functional approach to management - planning, organizing, directing, coordinating, and controlling - with emphasis on methods of action.

He stated that there has not been enough education of the mind - developing the thinking capacity.

Techniques go out of date - principles go out of date - present generation is first generation of adults where ideas go out of date before the originator dies.

Manager of the future must be able to create his own ideas.

The self-directed manager is the one who will succeed in the future.

Back of action should come SOUND THINKING.

Emphasis on the mind - (1) Perceptions - How reliable are one's perceptions?
(2) Judgements - How sound are they?
(3) Values - How worthwhile are they?

The trouble is - the situations have changed BUT WE HAVEN'T CHANGED.

Massachusetts Institute of Technology indicates that 50% of ideas taught in Engineering school are out of date in ten years.

EVERY EIGHT YEARS NEW KNOWLEDGE DOUBLES.

From the time a child begins school today until he is 70 years of age, 97 percent of knowledge in the world will have been brought into existence.

"Change can occur so fast that it turns back on itself." Einstein

This will happen if we don't learn to MANAGE CHANGE.

How do we UN-LEARN? By discarding something that is no longer true.

Is there a Managerial Mind? Yes, there is.

The most important feature of the managerial mind is its commitment to the organization.

PERCEPTION - I see, I taste, I touch - These are messages of the senses. There are other ways of seeing.

The eye does some thinking for the brain. When the message hits the brain, it has been partially interpreted.

WE TEND TO SEE WHAT WE WANT TO SEE.

The eye is not the only modifier of what we see.

(Did experiment of the rabbit and duck.)

You can see either of the two things.

MOST OF US SEEK TO PROVE WHAT WE'VE ALREADY DECIDED.

(Did experiment of the urn and faces.)

You can see either or both.

The eyes modify the sensations and do some interpreting before it gets to the mind.

We must learn to manage the thought process in addition to managing the events we think we see.

Reality must always be an assumption.

It is no longer safe to say, "Seeing is believing."
"I know it is so; I saw it happen." "My eyes never fool me."

Remember, the eyes do some selecting and some classifying before it hits our consciousness.

How does one really know he sees what he seems to see?

(See Exhibit # 1 attached.)

Premises for managerial decision making: (1) Action must not jeopardize financial stability of the corporation - Profit (2) Must be aware of how action affects people - Public, Consumers, Employees (3) Contribution made to total system objectives - Continuity of the organization.

HOW DOES ONE KNOW ONE'S JUDGEMENTS ARE SOUND? (See Exhibit No. 1)

Greatest crime is teaching answers instead of how to think.

We are moving from a goal society to a role society.

75 percent of management changes are copied.

HOW DOES ONE KNOW ONE'S VALUES ARE WORTH THE EFFORT? (See Exhibit No. 1.)

Very seldom does a person challenge his general principles - a new generation does.

All of our judgements are greatly influenced by our values.

Intelligence does not make us act (WHAT & HOW) -- Motives and emotions make us act (WHY).

Man's senses help man to interpret his surroundings. (WHAT) values and philosophy of an individual pretty much the same - they both say WHY.

There are three sectors in the economy - (1) Profit (2) Non-Profit and (3) Government.

We have more capacity than we're using - person can have new ideas, day and night for 70 years and still not use total brain capacity.

CAPACITIES ARE NEEDS.

Capacity clamors to be used or expressed.

BUSINESS MUST BE ACCOUNTABLE FOR QUALITY OF LIFE.

TESTS OF THE MANAGERIAL MIND

THOMAS H. NELSON

DENVER, MAY 10, 1972

A) HOW DOES ONE REALLY KNOW HE SEES WHAT HE SEEMS TO SEE?

1. Look again, Double check.
2. Does it check with previous experience
3. Too often we see (hear) only the "surface" events.
4. Look for RELATIONSHIPS
5. Look for TRENDS.
6. Look for MEANING
7. Ask what CAUSES the TREND
8. What POTENTIALS (possibilities) are revealed

B) HOW DOES ONE KNOW ONES JUDGEMENTS ARE SOUND?

FIRST-DEDUCTIVE REASONING

1. Has reasoning been spelled out in the three essential parts-
general premise- connecting facts- conclusion
2. Is the general premise absolute or proportional
3. On what grounds (authority) does the general premise rest?
4. On what grounds does the connecting statement rest?
5. Are we sure there is no variation in the meaning of the
terms used?
6. Would direct opposite of conclusion be inconsistent with
the premises?

SECOND- INDUCTIVE REASONING

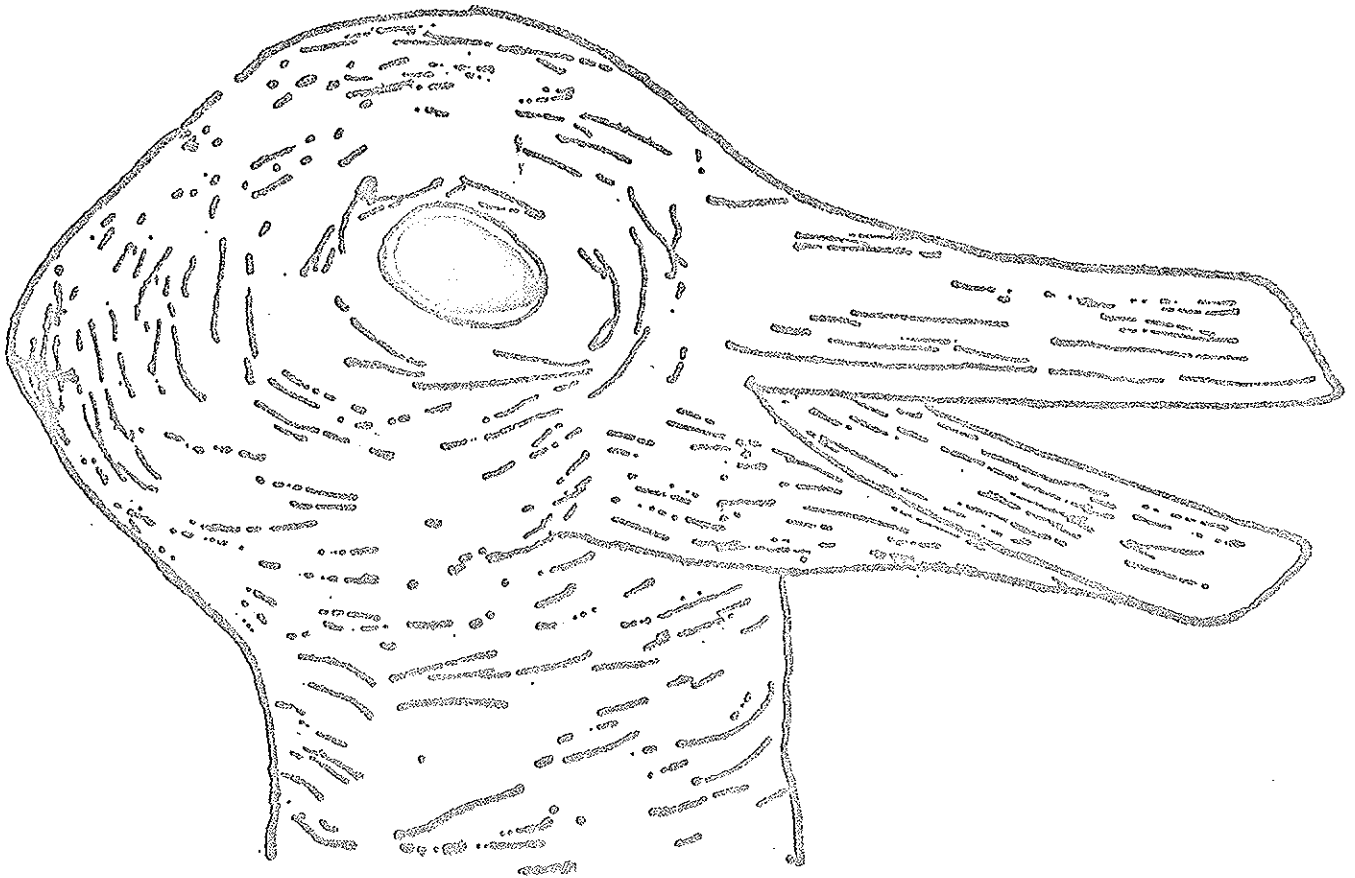
1. Are there enough cases?
2. Do the cases come from a wide variety of circumstances?
3. Has an adequate search been made for a conflicting case?

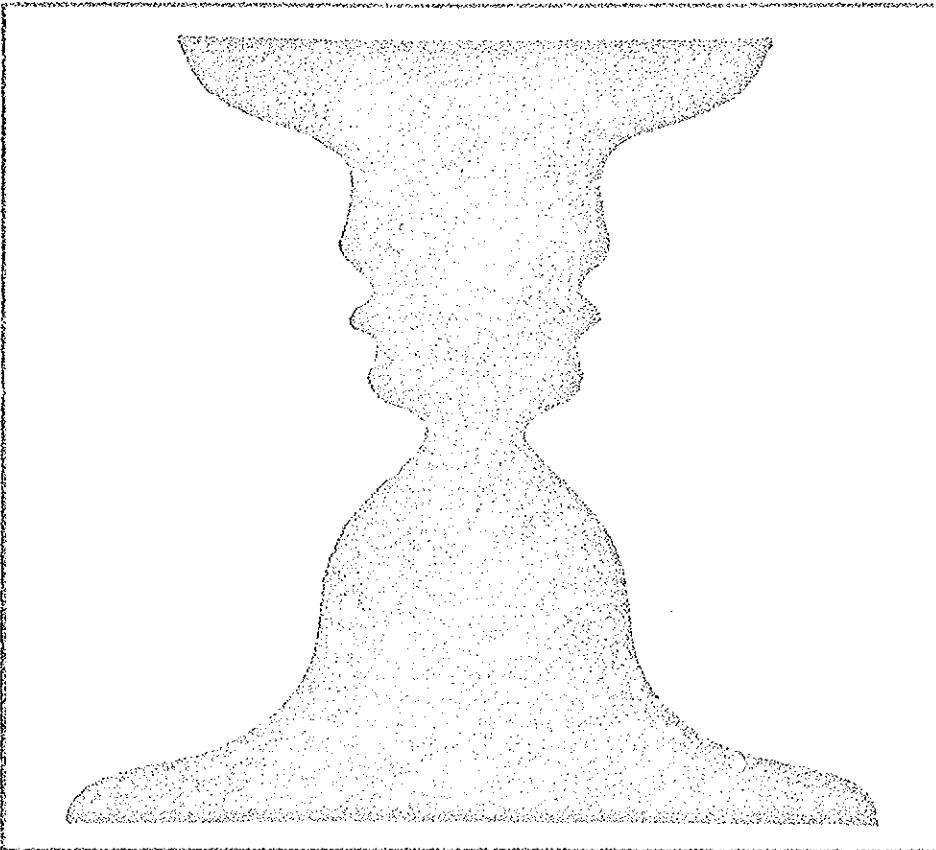
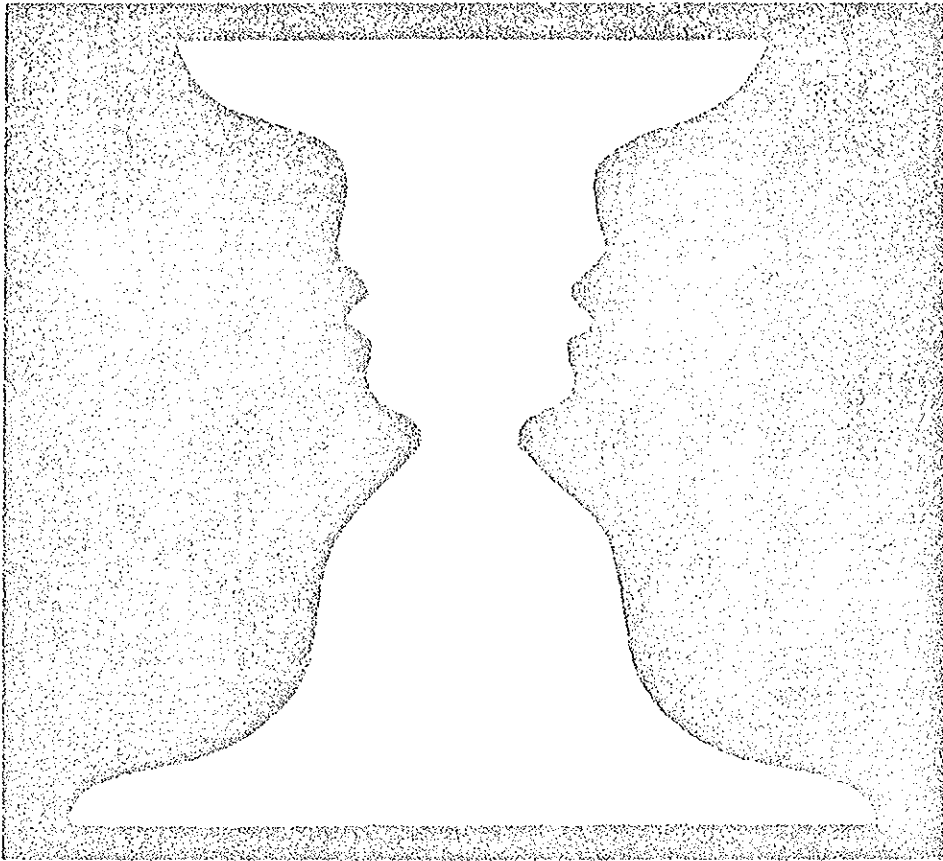
THIRD- EMPIRICAL JUDGMENTS (Copying someones judgment)

1. Is the purpose same (or sufficiently similar)
2. Are the circumstances same (or sufficiently similar)
3. Was the total method copied or only parts of it?
4. Were users equally qualified?

C) HOW DOES ONE KNOW ONES VALUES ARE WORTH THE EFFORT?

1. Do my values, so far as they affect an individual, leave him
free to grow and develop to higher levels of human needs
and possibilities?
2. Do my values encourage and assist the person affected to
progress toward larger and richer self-realization?
3. So far as my values tend to influence or shape society, do
they recognize that sovereignty resides in all the people,
not in a self selected group?
4. Do my values support and foster a dynamic and democratic
society where power and influence are used responsibly,
and where institutions are judged on the basis of their
contributions to such a society?





B I B L I O G R A P H Y

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Free Press of Glencoe
Collier-McMillan Limited N.Y.
3. The Magic of the Senses
Vitus B. Droscher
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3. Fundamentals of Psychology (Paper Back)
C.J. Odcock
Penguin Books Baltimore Md
4. Logic for the Millions
A.E. Mander
Philosophical Library New York
5. Human Behavior
An Inventory of Scientific Findings
Berelson & Steiner
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6. The Pluralistic Economy
Gingberg, Hicstand & Reubens
McGraw-Hill Book Co New York
7. Values in a Rapidly Changing Society
Nelson
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8. Technology, Management & Society
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Harper & Row

THE RURAL ELECTRIC PROGRAM IN 1982

Robert I. Kabat, Director
NRECA Management Services Department
Denver, Colorado
May 10, 1972

If we had prepared a statement ten years ago outlining what the rural electric program would have been like in 1972 we would, no doubt, have approached it with boldness and yet with a certain amount of fear and trembling. When one compares these predictions with the actual status of the program today, he would be pleased that in at least a few cases the predictions were accurate. Yet we would be aghast at how far off we sometimes were between the prediction and actual fact. So, we're treading where the angels fear to tread - predicting what a rapidly changing program will be like ten years from now.

What we notice is that changes of all types, some of which we never would have dreamed about, have come about much more rapidly than expected. These changes have been basically of two different types. The first has to do with technical change - our rate of load growth, the increasing cost of getting work done, the methods used in getting work done, new approaches to financing, power supply and area development, etc. The second area of change, and this may be of far greater importance, is the way people think - our members, our employees, our directors and the various publics with whom we must deal. So, in the past ten years we have experienced great "people and thing" changes. This rapid pace of change will not slow down - it will probably accelerate.

Our consideration of what will happen in the future requires a flexible and analytical point of view. First, one must recognize that changes will occur without our efforts and to these we must adapt our ideas and technology. Then, we need boldness to see those things that we can make happen. It is that category of change that will determine what the program will be like ten years from now. So two generators of change will be involved - those we make happen and those with which we have little to do and to which we must adjust. Let us take a look at some of the changes we will experience and what we can do about them.

CHANGING MEMBER NEEDS

By 1982 a great change will have taken place in our membership. The rural electric program will be serving 50-60% more members. In fact, an NRECA survey completed recently indicates the number of members served will increase by 2,200,000 or 33% in the next five years. A copy of the results of this survey by states is attached as Exhibit I. Of course, a good part of this growth will occur in the areas we serve around major metropolitan areas or in rapidly developing recreational areas.

This new membership will be both younger and older - the members 35 years or younger will probably increase by 55% to 70% and those 55 years and over by approximately 15 - 20%. Almost all of the original members will be gone. The new membership will be an urban oriented, wage earner type member with about 85% of them non-farmers.

The younger members will:

- * Never have lived without electricity, be of the post World War II generation.
- * Will live in the co-ops' service area but work in a metropolitan area.
- * Have an inflationary, ever-rising level of income.
- * Demand the best in service with rates being of only secondary concern.
- * Want the cooperative to be a leader in community, recreational and industrial development.
- * Not be interested in the historical arguments which justified the program in the past, but with what you're doing for them today.
- * Consider electric service to be a right, not a privilege.

ORGANIZATIONAL CHANGES

The new membership will be more vocal and demanding. It will take more sophisticated ways to communicate with them to develop their understanding and support. This will probably bring about major changes in newsletters, statewide publications, annual reports and member meetings. Because of this, we will find a small but highly skilled staff specializing in member and public relations in most systems. Since the training, skills and experience required for carrying out the new type of marketing differ from those which will be required in public and member relations, there will be a separation of these traditionally associated organizational areas, with each headed by an individual reporting to the Manager.

The 1982 Rural Electric will also realize it must have allies or die and will be much more active in the give and take of working with allied groups -- the consumer, labor, youth, other co-ops, business groups and even the environmentalists. It will work with all groups which want to build a Better America. The 1982 Manager will spend much more of his time in the "up and out" operations than in the "down and in" operations which will be managed by a staff of skilled professional specialists. The "up and out" leadership will be much more demanding of Managers and the results a lot less certain.

The new membership will not accept the load building approaches of the past. They will be interested in what the rural electric system is doing to improve the quality of rural living and develop new and improved income opportunities. They will expect the rural electric system to be a leader in developing effective community action to improve housing, develop community facilities as well as the recreational and tourism potential of the area, and to attract new industrial and commercial establishments. This new approach to marketing will require skills and knowledge which may not be prevalent in many rural electric systems. But they will be required in the Community and Industrial Development Department of the 1982 Co-op, a department which, as pointed out previously, will be separate and distinct from the public and member relations specialization. If the rural electric system is able to improve the quality of life and to develop its area economically, it will sink its roots deep and will endear itself to the people it will serve in the 80's - as providing electricity did in the late 30's and the 40's.

Our member and public relations, our community relations and marketing activities will completely change and require as much or greater thought than our power supply and funding require today. We should be planning and building our staff now to meet these new challenges.

It is all together fitting and proper that we should do this. We came into being to fill a basic, deeply felt need - that of providing rural electric service. We have met that need, but what we did has been forgotten or never known at all. Our younger members today have other needs and other demands. These vary by community, by region and by state. The test of our leadership will come in determining these changing needs, of our members, assigning priorities to them and developing concrete programs to meet them. This will not be simple. It will require that we expend new energies, devote scarce resources and develop the staff needed to meet these needs and to improve the quality and opportunities of life in Rural America.

There is another reason it is proper to do this. The profit making motive has been a very strong incentive in American life. That motive has enabled our people to become a highly productive nation. We in the rural electric systems do not have that profit making motive. Our motive is service - service of various types to build communities, to enrich human life. In our country, this motive has been confined largely to religious, educational and charity groups. Any other group which espouses a service motive is, at times, unfortunately suspect and very often resisted. To serve many new profit oriented members, we must exert stronger leadership, be more persuasive and show more life-giving results than the profit oriented power companies. We must have a broader view and make that view felt. We must appeal to people of all levels. We must adapt to changes in ways of thinking and be able to lead that thinking.

And who will be the leaders of this great program ten years from now?

THE 1982 MANAGER

Most of the 1982 Managers are not Managers today - the 1982 Manager will be younger, better educated, better paid than the man he succeeds. He will reflect the increasing trend in our society for more and more individuals to obtain a college education. Hopefully, he will be one of an increasing number of young people who, after college, will return to live and work in rural America. As inequitable as it may seem, in many cases he will be paid considerably more than the man he succeeds.

We should begin to search for these people now and provide them the opportunity to become quickly involved in new thrusts and new activities. There are several qualities to look for in such a young person who is being prepared for increasing management responsibilities:

- a. Leadership in the sense of having the capacity to develop the potential of people with greatly varying backgrounds.
- b. Ability to think maturely, logically and analytically.
- c. Aggressiveness - not in terms of over-riding others, but in terms of developing an effective team dedicated to carrying out commonly agreed upon objectives.
- d. Willingness to be innovative - to try new approaches and develop new solutions.
- e. Willingness to change and realize the role of a rural electric system must change to meet changing member needs.
- f. A pragmatic and flexible approach to meeting new problems and in negotiating with others - skill in negotiation will become an increasingly important quality of a manager.

These qualities may become apparent in a young person early in his career. When found, these qualities should be carefully nurtured and developed.

These new Managers will face much more complex member, public and employee relations and operating problems than we face today, tough as our present problems may seem. The era of one-man management is coming to an end. The founding generation - the "heroes" of the program -- are one by one leaving the scene.

What they leave is achievement over twenty five or thirty years. But it is achievement in building a personally fashioned edifice and often, all too often, a failure to build a continuity in management to carry on. Their failure is that they did not develop the decision-making ability and the management talents of their staff and, in many cases, did not even establish the quality of department head level personnel that could carry out the management functions were they ever delegated to them.

So, a vacuum results for several years after the one-man manager leaves. His edifice is built but he has not institutionalized his techniques. Now there is no one who can imitate his style and there is no documented system of management for his unfortunate successor to use with the staff, whatever their capabilities.

The decade ahead will see the decentralization of the Manager's authority through policy, through mutually established goals and results measures to his highly skilled staff. The managerial style will have changed from the one-man decision center to the helper, leader, developer Manager - one who can and does spend much of his time on the "up and out" activities. Why? Because he is secure in his knowledge that his staff not only manages each function assigned effectively, but also coordinates itself.

By 1982, there will be more systems of such a size that there will be two levels of general management: one, the "up and out" and long-range planning functionary similar to the president or chairman of a profit making corporation; the other, the chief executive officer, running the inside operations through and with a competent staff of functional specialists and district or branch generalists.

OTHER ORGANIZATIONAL CHANGES

To cope with the complexities of the 80's the Manager will effect other organizational changes. In fact, he will have a very pragmatic attitude toward organizational change and try to develop the best organization to meet his changing needs. One such change which will take place will be the addition of a key assistant to the Manager to serve as Finance Officer. He will be highly skilled in financial and cash management. He will be responsible for financial forecasting, budgeting, carefully forecasting capital requirements to determine the timing and preparation of loan applications, the day-to-day management of the system's funds, the decision as to when and where to invest, when to borrow and for how long, etc.

Many of these decisions will be made as a result of having access to, and utilizing, information stored in computers to find answers to very complex problems. This Finance Officer will be the key person in making the transition to the new types of financing. In the smaller systems this may be a more highly skilled office manager than we now have, but in the medium and larger system it will be a completely separate job.

There will be increasing emphasis on maintenance in the "1982 Co-op." As the system gets older, more and more maintenance will be required. Most systems are not staffed to do this extensive maintenance as well as handle the construction required. This will mean that there will have to be specialized maintenance crews, perhaps reporting to a Maintenance Supervisor. This will account for a large part of the increased number of employees we'll find in the rural electric program.

Decentralization is defined as the delegation of authority to take action, to make decisions, at lower levels. Dispersion is defined as the placing of physical activities out at various geographical locations.

What we have seen in recent years is a bit of both of these. More often, we must admit, it has been only dispersion. In some notable cases, rural electricians have dispersed activities and decentralized authority. When the Manager has made District and Branch Managers an equal member of the management team, put them on the level with the headquarters staff, there appears to have been a significant gain in over-all management effectiveness and results. Where it has been dispersion only, the coordination with the headquarters staff may have been less difficult but the motivation and development of district and branch managers has lagged. By 1982 there will no doubt be many more rural electricians with decentralized district and branch operations, some of which will have come about through mergers.

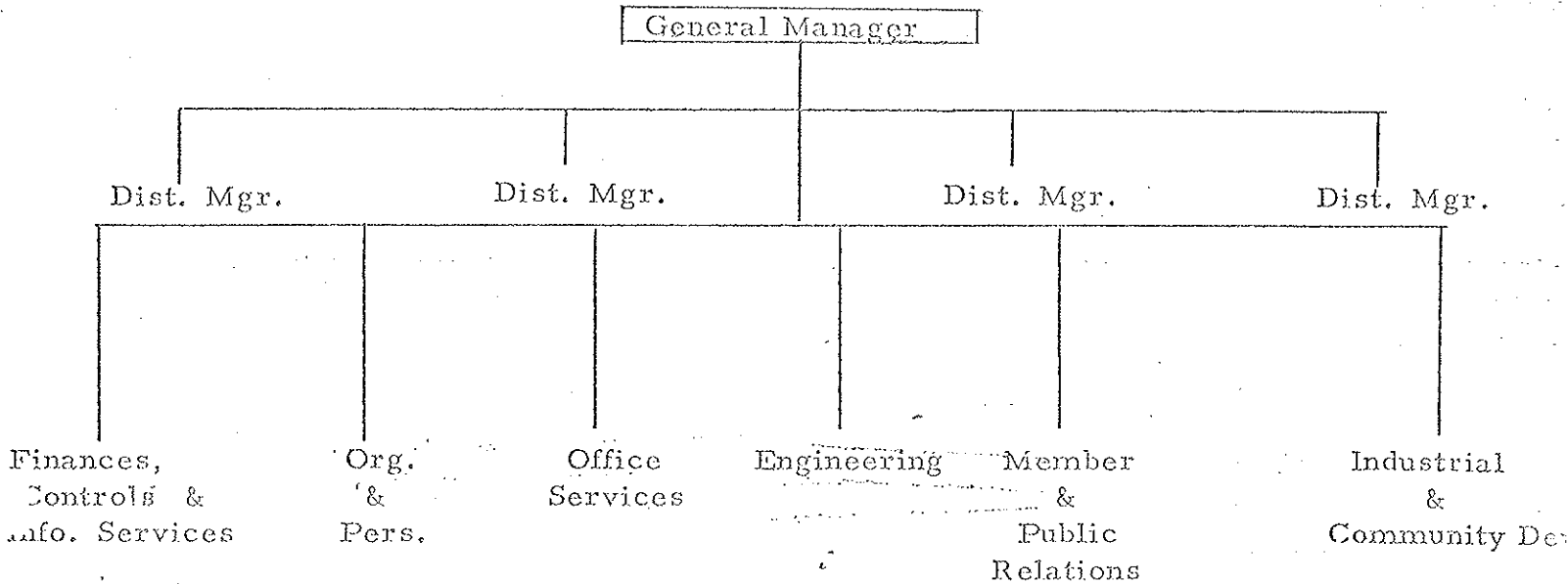
By 1982 many rural electric systems will have a small department of highly trained, professional people responsible for the recruitment, selection, development and training of employees. Because of new responsibilities and skills required, training will become a never-ending process.

The selection of new employees will not be decided by one person, but by several. After selection and employment, the training process will become the concern of every supervisor because we cannot expect to employ many fully trained people. Much of this training will be carried on within the system itself, some of it by sending the employee outside. The ability to become a teacher or a trainer will become one of the criteria by which new employees are selected.

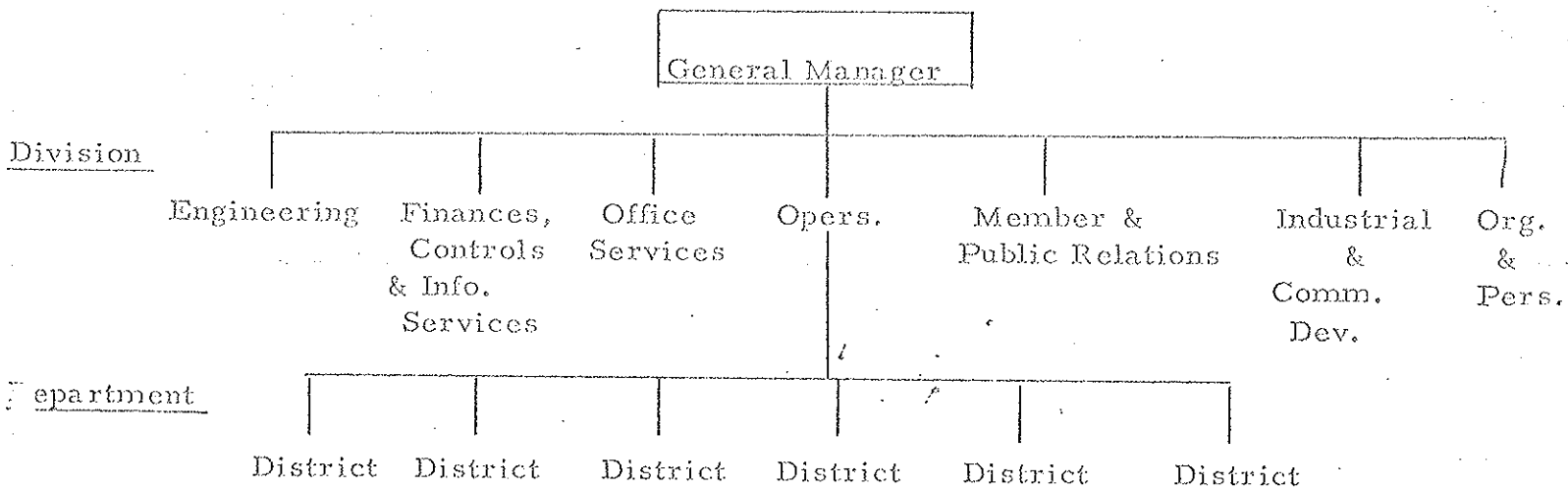
This means employing people who are fully capable of being trained and passing that training on to others. Particular emphasis will be placed upon training in the decision making process for all department heads and supervisors. The best training for decision making is to let the person make decisions. Therefore, day-to-day decisions will be made at the lowest level possible. Mistakes will be made, but the decision of a subordinate should not be reversed unless absolutely necessary. Counselling in decision making will replace the making of decisions for subordinates and will become an integral part of the training process.

Taking a more detailed look at the types of organization structures which may emerge in the larger systems, there will be several varieties of organization such as:

- (a) The wide span of control, great delegation of authority, strong staff, type of structure.

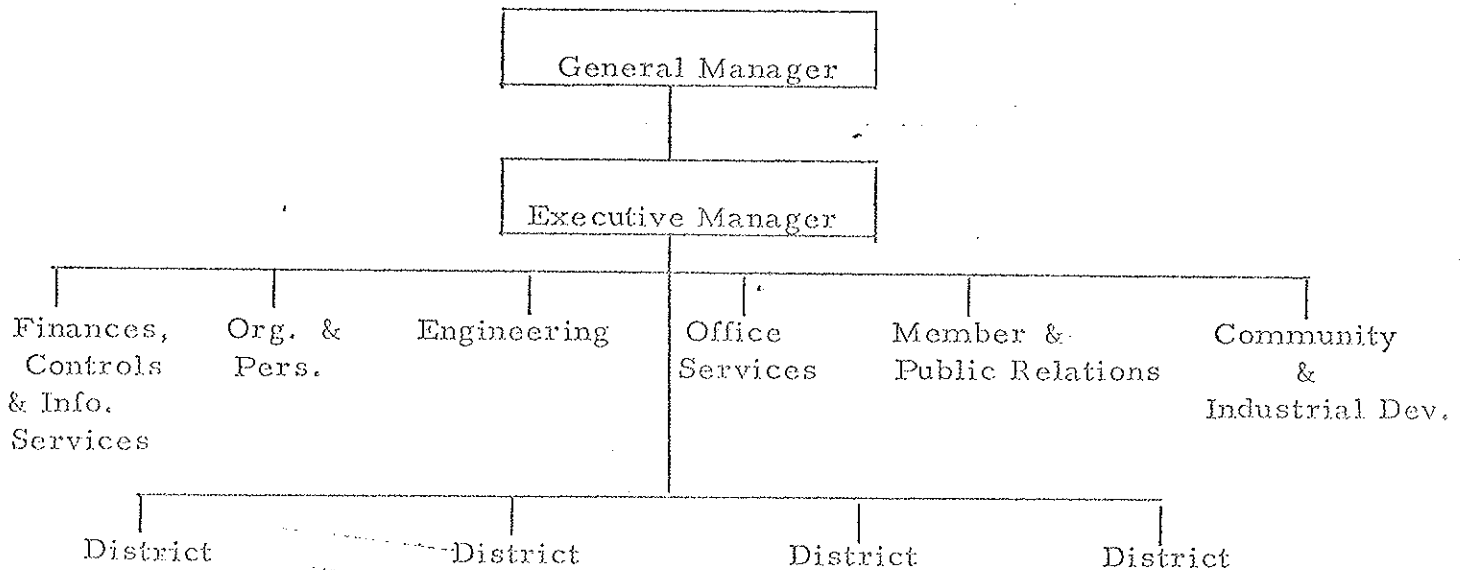


- (b) The type of organization which puts operations under a generalist reporting to the General Manager and the staff specialists also on the same reporting level.



Our new Management Supervisory Administrative Job Evaluation Plan is designed to foresee an organization where specialized knowledge gets the proper balanced weighting with supervision of people. The type B organization would not necessarily result in the Operations Division Manager being paid more than the functional headquarters staff.

- (c) As mentioned previously because of the manager having to spend time in "up and out" management, it may be necessary to have an Executive Manager in charge of day to day operations. Also this might be true in organizations where there is need for more direction, less delegation is permitted and less institutionalized management practices exist. We see it as:



This could also develop into a one man manager type organization with a great deal of authority in the position of Executive Manager. It could result in a degree of authoritarian control. Quite likely the span of control may be too wide so the natural result will be reorganization to bring the dispersed districts under a Manager of Operations with possible loss of a general management viewpoint by the District Manager and, of course, reduction of his delegated authority. This of course could also happen under (b).

The medium sized organizations will see the above types of structures used, but modified by having department heads who are less specialized and who wear two, or more, hats.

In the next ten years, we will see a number of changes in management methods, techniques, and emphasis, at the section head and work group level. Among these will be an integration of purchasing, inventory control, warehousing stores, and distribution of line materials into a materials management function under one responsible head. Among the results will be minimizing investment in inventory, coordination of shipments on blanket orders with needs and with cash management and minimizing the unproductive time of work crews.

The small systems will, of course, not have the specialized staff or assistance in these various management methods and techniques from their own employees. Outside specialized consultants will have to be used. We expect multiple ways of securing specialized assistance to develop. These will include group data processing centers and joint use of specialists in MDM and other similar groups for purchasing, engineering, industrial development and other needs. More of these specialized needs may also be provided by the statewides. The nature of these is only limited by the imagination and willingness to cooperate of a group of systems with similar needs and problems. In some way the small cooperative will have to achieve results nearly as efficiently as the medium and large systems may be expected to achieve.

Unit cost analysis of all phases of operations will become normal procedure. Increasing use of REA's multiple correlation analysis will be made and this technique will be further refined and sharpened. Our management practices will be comparable with, and in some cases more sophisticated than, the management practices of other well managed private enterprises. These improved management practices will extend from the board level to the lowest supervisory level.

The 1982 Rural Electric System will have about 1/4 to 1/3 more employees - primarily in the areas of maintenance, community and industrial development, and member and public relations.

EMPLOYEE BENEFITS

Our 1982 employees will be better paid - about 80-100% more than they are receiving today. But the key question which remains unanswered is what this means in terms of purchasing power - how much will inflation erode these gains. Employee benefits will also be more liberal - more holidays, increased life insurance not only for the employee but for his spouse and children, increased retirement benefits, improved major medical including eye and dental care with some government participation in the payment of this. Many rural electric systems will be working the "4-40", especially on the outside for at least part of the year. Someone has to pay for all these increased benefits and the cost of employee benefits probably will have increased at least 133% by 1982.

CHANGING TECHNOLOGY

Great changes will have taken place - all new consumers will be served underground. As overhead lines are moved or heavied up, many of them will be converted to underground. We'll also see higher voltage transmission lines go underground, which should meet some of the environmental objections.

There will be more sophisticated voltage and circuit controls, particularly in densely populated or industrially developed areas, using loop feeds to add to the continuity of service. Meter reading will be done electronically from the office, enabling us to read a meter one day, then prepare and mail a bill the next.

Delivery of high quality electric service as we know it today will become routine. From a competitive standpoint, we get no honor for this either - other groups can do the same. Many technological improvements will be available to us, including more reliable protective equipment, better designed equipment of all types used in the delivery of electric service and more sophisticated work equipment used in construction and maintenance. Our challenge will be to make the most effective use of these improvements and developments. One man hour will produce greater and more satisfactory results.

All of this will enable us to render a higher quality of service than at the present time, possibly at greater investment costs. But costs will change along with improving technology. It is true that some further design problems need to be solved. But, with improving technology, more rapid progress in solving these problems will be made. Many of us can remember when rural distribution circuit equipment design was poor at best because the market was considered to be small. However, today, because of the demands of many groups, distribution circuits will be placed underground and the technology for solving these problems will be provided. As greater and greater demand is made for equipment that is easily installed and effective in operation, these items will become available.

One recent change in emphasis is interesting to note. From the end of World War II until almost recent days technological research in many of the scientific laboratories has been devoted to either defense efforts or the space program. That is now changing, particularly in the research laboratories of our great universities. More and more effort is being devoted to the problems of designing a better life for people. This, of course, includes the whole gamut of clean water, clean air, attractive landscapes along with better products for wholesome living. Since the power industry is now in the forefront of attack as far as clean water and clean air are concerned, some of this research will be devoted to effective distribution of electric power while preserving all of those essential qualities that our conservationists are talking about today.

Electronic data processing will assume much more of a role in long-range planning and in providing answers to complex day-to-day problems. In 1981 both outside and office employees will require much more technical knowledge and skill. Office people will become expert in storing and retrieving information and in being able to interpret that information. Linemen will become electrical technicians because of the complex electrical equipment that they

will be called upon to operate and to maintain. We must, therefore, realize our responsibility for training our people to work with this new technology. It will be the on-the-job training we provide along with some off the job schooling that will determine how fast they pick up the new skills and knowledge required.

POWER SUPPLY

We have had, and will probably continue to have, problems in power supply. These problems are compounded today for comparatively new reasons: the increased cost of money, the scarcity and increased cost of fuel, the ecological considerations in the location of power plants, and the fact that reliability of manufacture and installation isn't what it used to be. There are those today who say that we should devote our attention to finding ways of minimizing the increasing demand for electric power. Electric power is the most flexible of all uses of energy. To the extent that the use of energy contributes to the quality of life then the American people will continue to demand an assured power supply.

In August of 1971, Stanley H. Ruttenberg and Associates prepared a report for NRECA in which is stated: "It has been suggested that the rate of electric energy growth should be controlled. This proposition is in conflict with our social welfare goals. An artificial slow-down in electric power growth would restrict economic growth, cause increased unemployment, and erase the hopes of the poverty-stricken. Campaigns to conserve electricity are desirable and would be helpful but it should be kept in mind that "frills" and gadgets use very little power. Industrial processes and commercial enterprises are bigger users and conserving their use of electricity would be helpful but a curtailment would have widespread adverse effects. . . attempts to restrict the growth in the use of electric appliances are not apt to be successful. The purchasing public likes electric power and products because they are useful, not because they have been told to use them. And even if residential consumption were curtailed, it would not be the answer." 1/

In 1982 the location of generating stations and transmission lines will not be decided by a power supplier, but by public bodies, whose concerns will be ecological and environmental, as well as the provision of needed electric power. This may well extend to the location of substations hidden from view by shrubbery or an ornamental wall. This will, of course, add to construction and operating costs and will be a factor in significantly higher power costs.

Because of these environmental considerations, some of the 1982 co-ops may be securing their wholesale power from whole new energy sources, such as geothermal energy. Research will continue on other new sources such as the breeder reactor and they will assume increasing importance. Wholesale power suppliers will increasingly be part of a larger pool connected into a giant power grid with power transmitted by very high voltage transmission lines North and South and East and West as the seasons and time of day change.

1 / The Electric Power Crisis: Its Impact on Workers and Consumers.
Prepared for NRECA by Stanley H. Ruttenberg & Associates, Inc.
August, 1971, pages 50 - 51.

The 1982 co-op will probably have an assured source of wholesale power but cost will still be a problem because of the cost of meeting ever more stringent environmental requirements and continuous increases in the cost of fuel. The largest single increases in operating costs will continue to be in wholesale power supply.

Due to the scarcity of money, a whole new element may be introduced in the power supply field. The rural electric systems which are not members of G & T's may be required by their power supplier to contribute funds to the construction of power plants to meet their increasing power needs. We can expect the G & T program in 1982 to be much different - most G & T's will be part of large power pools and either buy a share of a large, jointly owned plant or provide a large plant as their contribution to the pool every four or five years. This will take tremendous sums of monies which the systems will have to raise if they're going to protect their bargaining rights through a strong, dynamic G & T program. A way will be found to do this and every system will find the G & T program assuming its traditional role of providing an important leverage to obtain adequate and reasonable wholesale power.

Most G & T's will also be tied into large power grids which take advantage of the change in the seasons and the time of day to transmit power where the need is greatest and thus hold down power costs for all.

NEED FOR NEW CAPITAL

In 1982, the Rural Electric Program will require in excess of \$2 billion annually in new capital to meet all its needs. The rural electric systems will, of course, want to continue their efforts to obtain the maximum REA loan funds possible, but assuming REA funds stay at about the same level as the past few years the average distribution system will borrow 65 to 75% of its funds from CFC or another supplemental source. Assuming the REA interest rate is 2%, the average or blended interest rate will be approximately 6.5%. The major part of power supply financing will be supplemental or outside capital.

INCREASING COSTS

Costs for all rural electric systems will continue to increase in the next ten years although hopefully not at the present inflationary rates. By extending an REA linear trend projection based on the experience of all distribution borrowers for the prior ten years, and assuming no increase in retail rates, the cost of wholesale power in 1982 may reach 59% of operating revenue and other operating expenses 45.8%. As shown in Exhibit II, this means the cost of wholesale power in 1982 will consume an additional 13% of operating revenue, as compared to 1972, while other operating expenses will take 1.2% less of operating revenue in 1982, as compared to 1972, although, of course, showing an actual dollar increase because of the greatly increased operating revenue. The greatest increase in costs will be wholesale power. In fact, Reggie Cole of REA is predicting that wholesale power costs to rural electric systems may double in the next ten years.

In the past, rural electric have been able to offset increased costs mainly through KWH growth. In spite of the predicted 50 - 60% increase in number of consumers and a possible 170 - 185% increase in KWH growth during the ten year period 1972 - 1982, these factors may not be enough to absorb the rapidly increasing costs. Therefore, many rural electric systems may need to increase their retail rates. A reasonable estimate of these increases from 1972 - 1982 is 25 - 35%. Many systems will do this by a careful study of their retail rate structures to simplify rates and remove inequities which have existed for many years. Also, they will apply retail rate increases selectively to, as much as possible, maintain the philosophy of lowest possible cost electricity to promote abundant use to improve the quality of rural living and to provide increased economic opportunity.

THE NEW BOARD

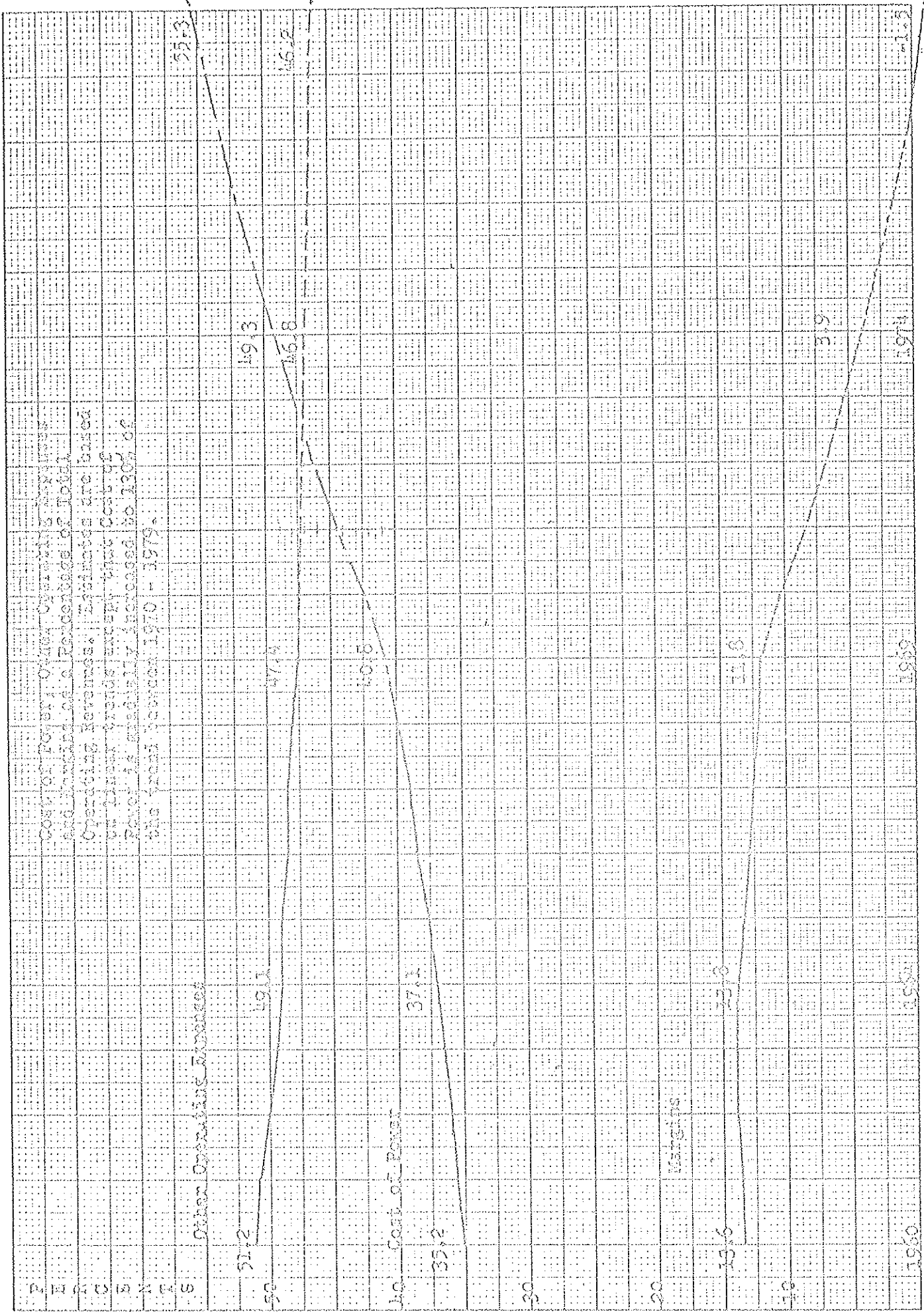
And last, but not least, the manager of 1982 will be working with a new board. This board will be representative of the new membership - of their age, their sex, and their occupations and roles in the community. If it is to be ideal, this new Board will sense and react to the newly emerging concerns of the members it represents. It will be a board which asks more questions and is more demanding. It will seek new answers to old problems. Less will be taken for granted. Less will be accepted just because the manager or an expert says so. There new boards will truly try the best in a manager and only those managers who are skilled in providing real leadership, who are truly "teachers of men" will survive.

So, in 1982, the Rural Electric Program will be quite different from today - new people, new technology, new challenges and more complex operations and problems which will try the best in the leadership we should now be developing for the 80's. What will you make happen to make this a better program in 1982?

RURAL ELECTRIC SYSTEM GROWTH

METERS SERVED NOW AND TO BE ADDED IN NEXT FIVE YEARS

	1971	METERS TO BE	1976
	METERS CURRENTLY	ADDED WITHIN FIVE	TOTAL, METERS
	BEING SERVED	YEARS	
UNITED STATES	6,600,000	2,200,000	8,800,000
ALABAMA	261,400	54,900	316,300
ALASKA	50,200	54,200	104,400
ARIZONA	35,400	13,100	48,500
ARKANSAS	212,000	61,500	273,500
CALIFORNIA	64,600	45,200	109,800
COLORADO	120,100	43,300	163,400
DELAWARE	19,300	--	--
FLORIDA	189,400	119,300	308,700
GEORGIA	419,800	167,900	587,700
IDAHO	25,400	4,600	30,000
ILLINOIS	164,500	37,800	202,300
INDIANA	199,300	87,900	287,500
IOWA	151,200	37,800	189,000
KANSAS	113,500	22,700	136,200
KENTUCKY	330,500	109,100	439,600
LOUISIANA	199,300	78,400	277,700
MAINE	8,200	--	--
MARYLAND	55,800	16,100	71,900
MICHIGAN	129,800	36,400	166,200
MINNESOTA	276,000	85,600	361,600
MISSISSIPPI	313,300	106,600	419,900
MISSOURI	336,400	74,000	410,400
MONTANA	57,300	14,900	72,200
NEBRASKA	114,600	13,800	128,400
NEVADA	7,600	3,800	11,400
NEW HAMPSHIRE	31,100	--	--
NEW JERSEY	7,200	--	--
NEW MEXICO	83,000	24,900	107,900
NEW YORK	14,800	1,900	16,700
NORTH CAROLINA	323,600	139,100	462,700
NORTH DAKOTA	74,700	14,200	88,900
OHIO	111,200	43,400	154,600
OKLAHOMA	208,100	85,300	293,400
OREGON	53,900	55,500	109,400
PENNSYLVANIA	108,700	27,200	135,900
SOUTH CAROLINA	218,400	63,300	281,700
SOUTH DAKOTA	86,700	13,000	99,700
TENNESSEE	393,900	71,000	464,900
TEXAS	554,700	183,100	737,800
UTAH	10,500	--	--
VERMONT	10,700	--	--
VIRGINIA	166,100	66,500	232,600
WASHINGTON	52,700	32,700	85,400
WEST VIRGINIA	3,200	600	3,800
WISCONSIN	113,600	25,000	138,600
WYOMING	34,900	7,400	42,300



Chairman: Charles Bouleson

Panel Members: Louis Strong, J. K. Smith, Dick Smith

NOTES FROM THE PANEL DISCUSSION

Chairman Bouleson set the stage for the discussion with references as follows:

1. Management Consultation set up and began in 1958.
2. Been meeting annually since that date with between 25 - 50 people.
3. Early years given to specific management problems and concerns.
4. Later years pointed more toward concepts and ideas.
5. Some attempts made toward formalization and more closely defining the role of the group.
6. Objectives for the group were postulated, an organization pattern developed, and membership criteria established. Annual dues of \$100 per system approved.
7. Need for research and research projects recognized.
8. 1970, an ad-hoc research committee appointed with Jim Kiley as chairman.
9. 1971, the research committee reported and suggested modification in the group's objectives, a list of possible research projects was presented, and a change of name of the group from the Management Consultation to the Rural Electric Management Development Council. One of the research projects suggested was the development of Rural Electric Management Standards and follow through on this specific project to the extent possible.
10. 1972. On May 9, Chairman Kiley reported to the Council on the Committee's efforts and the results. The matter was discussed at length by the Council and a resolution was adopted (see minutes page 56___).
11. The action taken by the Rural Electric Management Development Council on May 9 in the adoption of this resolution is now being made known formally to REA, CFC, and NRECA as a basis for consideration of establishment of a management and improvement certification program, its maintenance and subsequent funding.
12. Several avenues of approach seem to be indicated.
 - a. Should we go the whole formal route of obtaining general NRECA membership approval?
 - b. Should we assume that the adoption of the Viewpoints and Objectives by the general membership of NRECA in 1969 is sufficient to set up a pilot program through the NRECA Board Committees, Staff and Management?
 - c. What role can REA play and to what extent can we expect their support?
 - d. Will CFC support the certification concept and assist in financial areas?
 - e. Is recognition and certification of good management sufficient to attract efforts to upgrade management generally?
 - f. Or would sanctions be more effective?

These are matters to which the panel will direct its attention.

Louis Strong, NRECA - Notes from his comments

We must assume that certain things will happen -

1. Rural electric co-ops will not have any trouble filling positions in the future.
2. We face a leadership crises in Rural Electrification.
3. Major problem - Most managers in program do not really understand the scope of the manager's position in a rural electric cooperative.

4. Rural Electric Cooperatives can get by with the poorest management of any business. One reason is captive consumers. Members have no good way to measure good management.
5. We need creative, dynamic leadership in electric utility industry.
6. Rural Electric Co-op's need a special type of leader. The manager deals with all areas any other business manager deals with. The directorate is different, corporate boards are picked by management - in Rural Electric Co-op's, directors come from membership - Rural Electric Co-op board members have wide range of experience. Manager must deal with a membership who owns business. He must deal with REA, regulatory agencies, CFC, private money market, must deal in the political arena - Rural Electric Co-op's live and exist in a political arena. Rural Electric Co-op's live in a glass house. Must be constantly aware of its public image. Rural Electric Co-op's management must be able to work cooperatively with other cooperatives.
7. Rural Electric Co-op's can tolerate a small amount of poor management.
8. Rural Electric Co-op's must support state and national trade associations.
9. The rural electric program is a program where the strong must support the weak.

Some further considerations for future:

1. Rural Electric Co-op's must answer as to how we can gain understanding on the part of members, boards, and managers as to what the job of Rural Electric Co-op management is.
2. How can we get understanding that poor management in Rural Electric Co-op's costs, and good management pays its way even in the smallest cooperatives?
3. How are we going to meet the challenge of moving into the private money markets?
4. We are moving into the day of the consumer - This will require a new kind of leadership.
5. We must develop incentives to cause the best leadership possible to be developed and utilized in the Rural Electric Cooperatives.

Dick Smith, REA - Notes from his comments

Statistics were given to indicate a profile of new managers coming into the Rural Electrification Program.

- 1972 - Largest group of new managers 40 - 50 years of age.
 Largest group had salary ranges of \$15,000 - \$18,000; up \$1,500 from previous year.
 47% of new managers had college degrees.
 72% had some college.

<u>Area</u>	<u>College Degree</u>	<u>Average No. Consumers</u>
New Managers in Northeast	75%	8,472
New Managers in Southeast	44%	6,542
New Managers in West	38%	2,910
New Managers in Southwest	25%	8,778
New Managers in North Central	33%	5,155

Background

<u>Experience</u>	<u>Percent</u>
Administration and Management	48%
Engineering and Operations	28%
Accounting and Audit	6%
Sales and Sales Promotion	16%
Other	2%

65% of new managers came from within the cooperatives.

The average new manager is - male, 49 years, 5 ft. 9 in., 172 lbs., married, 2 dependents, salary \$14,900, 18 years experience in rural electrification, manages a cooperative of 6,100 consumer-members with annual revenues of \$1,100,000.

Smith sees four major trends occurring in the rural electrification program which management must be aware of

- (1) The impact of technology
- (2) Improvement in social and environmental fields
- (3) Growth
- (4) Sophistication of members

Management's functions remain the same - Planning, Organizing, Directing, Coordinating, and Controlling.

Areas of Concern

- (1) Financial Management - credit rates - cash flow - source of funds.
- (2) Personnel - Selection of qualified personnel (Rural Electric systems now have personnel which is overqualified and underqualified - there is not enough hardnosed management in demotion.
- (3) Ability to develop a good Management Information System.
- (4) Relationship with others - Up and Out - REA - CFC - Etc.
- (5) Leadership - The manager sets the pace and style.
- (6) Recognition of need for consultants - Outside expertise often needed when manager must make some decisions alone.

J. K. Smith - CFC-Notes from his comments

Mr. Smith introduced Chuck Gill, Borrowers Operations Officer for CFC, who is concerned with mortgage requirements, approving sale of property, etc.

Financing is not the thing that will cause the greatest impact on the future. Some of the factors listed below will be of great impact and have strong influence on the success or failure of rural electric cooperatives.

Factors

- (1) Growth - Numbers, kinds of consumers.
- (2) People problems - REC's are operating in a new environment. Tremendous job of education and communications required to motivate.
- (3) Regulatory Requirements - Safety (OSHA, commission requirements, etc.)
- (4) Management Weaknesses - Board-Manager-Staff relationships. Broaden concept of staff. Strong staff challenges management. NEW BOARDS ARE GOING TO BE INQUISITIVE. Manager of system is Key Individual on the system.
- (5) System Image - Market Position of the system, acceptance by membership and public. Competition by example and comparison - What is your philosophy of marketing?
- (6) Financing - We'll find capital to meet needs. Question is what will it cost? More and more outside capital will be used to meet power supply needs.

Manager must be an administrator, generalist, one who gets things done through people. Creative - service and people oriented.

Second level staffing is one of our weaknesses in the Rural Electric Cooperative program.

We can hardly attract good college graduates at \$14,000. College graduates today in business administration demand \$12,000 to \$12,500.

We must have managerial leadership in our Rural Electric Cooperatives - The Manager makes the Board - Board doesn't make the Manager.

Planning - Forecasting - Budgeting - these need attention in Rural Electric Cooperatives.

REA and CFC will set criteria for loan security.

Would like to see the Rural Electric Management Development Council expanded to include more Rural Electric Cooperatives.

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Discussion followed the panel presentation relative to how the recommendation of the Management Research Committee could be implemented. No notes were taken during this discussion.

MINUTES OF THE 1972 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL MEETING

The meeting was opened at 9:00 a.m. on May 9, 1972 by Jim Golden, Program Chairman, who welcomed the participants to Colorado. Location of meeting was Radisson Hotel, Denver, Colorado. Attendance report indicated 39 persons in attendance, representing 17 consumer rural electric systems, a power cooperative, a statewide association of electric cooperatives, NRECA, REA, and the National Rural Utilities Cooperative Finance Corporation.

Council Chairman Bouleson welcomed participants attending the meeting for the first time. He stated that the business session of the council meeting would be held on May 11 at 8:30 a.m. and the principal item of business was the election of officers and committee members whose terms were expiring. The chairman appointed Barbara Deverick to serve at the 1972 Council Secretary.

Following the report of the Management Research Committee on May 9 presented by chairman, Jim Kiley, Council Chairman Bouleson called for a motion concerning the report. Jim Golden moved and Clyde Hukills seconded the following motion which was adopted by the Council. (See text of report in Council proceedings for 1972.)

Motion regarding report of Research Committee

Moved that the Rural Electric Management Development Council accept the report and recommendation of the Council's Management Research Committee; and further, that the Council commit \$10,000 to the Management Development Program with the members of the Council, individually and collectively, agreeing to support the Program in every way possible - including serving as test systems and participating in the development and implementation of the total program and enlisting support of other systems to participate in the program. Further moved that the officers of the Council seek support, including funding from CFC, staff support and assistance from REA, development of the program by NRECA and commitment and support from all rural electric systems to the end that the project successfully achieves its objectives.

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The business session was held at 8:30 a.m. on May 11 with Chairman Charles Bouleson presiding.

Treasurer Bevis Hanna presented his report. He stated that 15 cooperatives had paid their 1972 dues. 31 cooperatives had paid 1971 dues. The Chairman requested that the Treasurer send invoices to all members two months prior to the Annual Meeting of the Council. Invoices were also to be sent to those systems which had not paid their 1972 dues.

Clyde Hukills MOVED that the Treasurer's report be approved as submitted. Cecil Viverette seconded the motion and it was adopted.

The Chairman thanked the Program Committee and its Chairman, Jim Golden, for their very fine work in planning the 1971 council program.

The Chairman thanked the Council Secretary, Barbara Deverick, for preparation and distribution of the 1972 council proceedings.

Upon MOTION made by Cliff Robertson and seconded by Cecil Viverette, the Council approved the report of the 1971 Council proceedings.

The Chairman thanked the Management Research Committee for its fine work and discharged the Committee. Special thanks was directed to Committee Chairman, Jim Kiley, who has served as Chairman of this special committee for three years, which was the duration of the Committee and its work.

Chairman Bouleson recognized Norman Cross, General Manager of Slope Electric Cooperative, New England, North Dakota, who is retiring as manager of the cooperative. He stated that Cross, an electrical engineer, had been manager of Slope Electric Cooperative since 1946 and had participated for many years in the council programs. He expressed the appreciation of the Council for his fine support of the program and its best wishes for him in his retirement. Mr. Cross responded, telling of his appreciation to the Council and how very much he had valued his participation. He concluded by stating that he supported the work of the Council's Management Research Committee and compared the program advocated by the committee in its report to the NRECA safety accreditation program. He stated that Dick Selenger, Staff Assistant at Slope Electric, would be the manager upon Mr. Cross' retirement.

Chairman Bouleson stated that there would be no report from the membership committee since the Chairman, Jack Goodman, was grounded by weather and could not get to the meeting. He encouraged each Council member to seek new members for the Council who met membership criteria.

Chairman Bouleson stated that the officers of the Council would constitute a committee to carry forward the recommendations made by the Management Research Committee and approved by the Council on May 9.

The Chairman reported that the ranking of research projects for 1972-73 as submitted by Council members present at the meeting indicated the following areas would be pursued during next year.

1. New methods and techniques of Rural Electric Retain Rate Making.
2. The composition and role of the board of directors in tomorrow's rural electric cooperative.
3. How to achieve understanding, participation and support from both rural and urban oriented consumers.
4. The application of the computer to rural electric management information systems.

A new research area mentioned at the meeting was "Research on impact of change on Capital Credit Retirement schedules on member participation and support." It was felt that research on this project could be included in research on Item 3 above.

In the absence of the Chairman of the Nominating Committee, Bob Weathers, a member of this committee presented the committee report. The following nominations were reported by the committee:

Council Chairman - James Golden
Program Chairman - James Kiley
Member of Program Committee - Everette Bristol
Member of Nominating Committee - Richard Selinger
Member of Nominating Committee - Willard Grager
Member of Membership Committee - Clifford Robertson

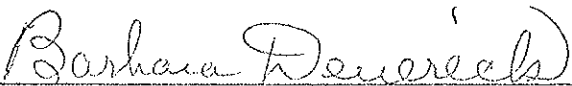
The Chairman called for other nominations. There were none. Bob Weathers moved that the nominations cease and the slate be elected. The motion was seconded by Cecil Viverette and adopted. The Secretary was directed to cast a unanimous ballot for the election of those nominated.

The Chairman called for recommendations for date and site of the 1973 Council Meeting. Norwood Speight MOVED that the meeting be held the second week in May, 1973. Willard Grager seconded the motion and it was adopted.

Willard Grager invited the Council to meet in Fargo, North Dakota. Norwood Speight MOVED that the Council accept the invitation. The motion was seconded and adopted by the Council.

Virgil Herriott MOVED that the Council extend its thanks and appreciation to Charles Bouleson for his very fine leadership of the Council during the past three years in which he served as its chairman. Cecil Viverette seconded the motion and it was unanimously adopted.

Chairman Bouleson thanked the group and stated that the meeting would adjourn immediately after the panel presentation.



SECRETARY

*THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL*

OPERATING STATEMENT

PERIOD ENDING MAY 8, 1972

Income:

1971 Dues (Schedule A).....	\$ 500.00
1972 Dues (Schedule B).....	1,500.00
Interest from Investments.....	<u>535.27</u>
Total.....	\$2,535.27

Expenses:

Professional Fees and Expenses:

Eric A. Nicol.....	\$ 275.48
Erik K. Winslow.....	701.40
Otha A. Beard.....	113.59

Others:

Holiday Inn - Coffee Service.....	43.27
Printing and Postage - 1971 Booklets.....	<u>76.98</u>
Total.....	\$ <u>1,210.72</u>
Net Income.....	\$ <u>1,324.55</u>

*THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL*

SCHEDULE A

1971 Dues Paid After May 5, 1971

Sedgwick County REC.....	05-18-71.....	\$ 100.00
Douglas County EMC.....	06-23-71.....	100.00
Chugach Electric.....	07-09-71.....	100.00
Aiken Electric Coop.....	07-22-71.....	100.00
Horry Electric Coop.....	09-21-71.....	<u>100.00</u>
Total.....		\$ 500.00

SCHEDULE B

1972 Dues Paid as of May 8, 1972

Blue Ridge EMC.....	04-07-72.....	\$ 100.00
Adams Electric Coop.....	04-11-72.....	100.00
Morgan County REA.....	04-12-72.....	100.00
West Plains Electric Coop.....	04-20-72.....	100.00
KEM Electric Coop.....	04-24-72.....	100.00
San Isabel Electric Services.....	04-24-72.....	100.00
Yampa Valley Electric Assn.....	04-24-72.....	100.00
North Arkansas Electric Coop.....	04-27-72.....	100.00
Douglas County EMC.....	04-28-72.....	100.00
Kay Electric Coop.....	04-28-72.....	100.00
Morgan County REMC.....	05-01-72.....	100.00
Jackson Purchase REC.....	05-01-72.....	100.00
Mecklenburg Elec. Coop.....	05-05-72.....	100.00
Cass County Elec. Coop.....	05-08-72.....	100.00
Ozarks Elec. Coop.....	05-08-72.....	<u>100.00</u>
Total.....		\$1,500.00

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

BALANCE SHEET

May 8, 1972

ASSETS

Current:

Cash in Bank.....	\$ 2,235.26
Investments (Note 1).....	<u>9,707.14</u>
Total.....	<u>\$11,942.40</u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity:

Retained Earnings.....	\$10,617.85
Net Income.....	<u>1,324.55</u>
Total.....	<u>\$11,942.40</u>

Note 1 - Investments:

Routt County Federal Savings and Loan Association:

Savings Account T 892.....	681.58
(5% Compounded Semi-Annually)	

Savings Account C 55.....	5,000.00
(5 1/4% Semi-Annually)	

Savings Certificate OC 25.....	2,000.00
(5 3/4% Semi-Annually)	

The Farmers State Bank:

Time Certificate of Deposit A 2259.....	<u>2,025.56</u>
(5% Compounded 90 Days)	

Total.....	\$ 9,707.14
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THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

ATTENDANCE RECORD

Cooperative	Years							
	'67	'68	'69	'70	'71	'72	'73	'74
Adams Electric Coop					0	X		
Aiken Electric Coop	X	X	X	X	0	*		
Beadle Electric Coop		X	X					
Blue Ridge EMC	X	X	X	X	X	X		
Boone County Electric Coop			X	X	0			
Cass County Electric Coop	X	X	X	0	X	X		
Central Kansas Electric Coop	X	X	X	X	X	0		
Chugach Electric		0	0	X	0	0		
Cornhusker PPD	X	X	X	0	X	X		
Cotton Electric Coop				0				
Cumberland EMC	X	X	X	X	0	0		
Douglas County EMC		X	X	X	X	0		
East Mississippi EPA			X					
Four County EMC	X	X	0	X	0	0		
Grand Valley Rural Power Lines			X	0		X		
Horry Electric Coop				X	0			
Iowa Association of Elec. Coop					X			
Jackson Purchase REC			X	X	0	X		
Kay Electric Coop	X	X	X	X	0	X		
KEM Electric Coop	X	X	X	X	X	0		
Lake Region Electric			0	X				
Mecklenburg Electric Coop	X	X	X	X	0	0		
Midwest Electric Coop		X						
Morgan County REA, FT. MORGAN, COLO.		X	X	0	X	X		
Morgan County REMC, INDIANA				X	0	0		
North Arkansas Electric Coop	X	X	X	X	X	X		
Northwest Missouri Electric Coop			X					
Ozarks Electric Coop	X	X	X	X	X	X		
Pickwick Electric Coop		X						
San Isabel Electric Services	X	X	X	0	X	X		
Sedgwick County REC	X	X	X	0	X			
Shenandoah Valley Electric Coop	X	X	X	X	0	0		
Sho-Me Power Corp.	X	0	X	X	X	X		
Sioux Valley Empire Electric Assn.	X	X	X	X	X	X		
Slope Electric Coop	X	X	X	0	X	X		
South Plains Electric Coop	X	X	0					
Verendrye Electric Coop	X	0						
Warren REC		X	0	0				
West Central Electric Coop			X	X	X			
West Plains Electric Coop	X	X	X	X	X	X		
Wheatbelt PPD	X	0	X	0				
White River Valley Electric Coop	X	X	X	X	X	X		
Yampa Valley Electric Assn.	X	X	X	X	X	X		

Code: X - Paid - Attended
 0 - Paid - Did Not Attend
 * - RESIGNED - NO DUES PAID FOR YEAR

OFFICERS AND COMMITTEES FOR
1973 DEVELOPMENT COUNCIL

Chairman - James Golden	Term expires in 1975
Vice Chairman - Charles Overman	Term expires in 1973
Treasurer - Bevis Hanna	Term expires in 1974
Secretary -	Appointed annually by Chairman

PROGRAM

Chairman - James Kiley	Term expires in 1975
Jack Cochran	Term expires in 1974
Everett Bristol	Term expires in 1975
Clyde Hukills	Term expires in 1973

NOMINATING

Chairman - Charles W. Thompson	Term expires in 1974
Richard Selinger	Term expires in 1975
Willard Grager	Term expires in 1975
Norwood Speight	Term expires in 1973

MEMBERSHIP

Chairman - Jack Goodman	Term expires in 1974
Clifford Robinson	Term expires in 1975
Olaf Sandvick	Term expires in 1973
Tom Townsend	Term expires in 1974

- A. All committee members and officers elected for a 3-year term.
- B. Chairman of each standing committee named by the Nominating Committee and serve for 3 years when elected.