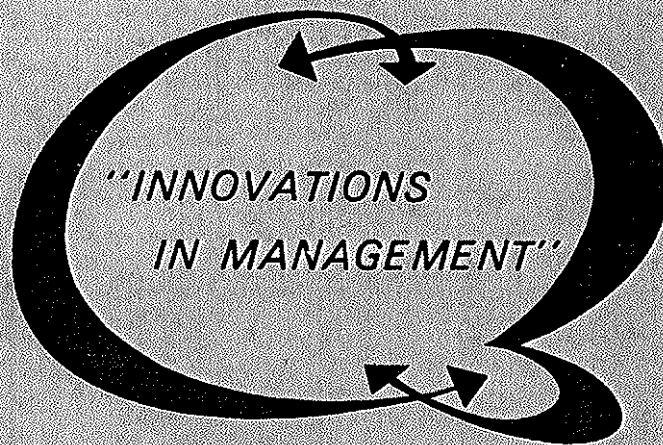


Proceedings of the  
17th Annual Conference  
of  
The Rural Electric Management  
Development Council



*Myrtle Beach, South Carolina  
May 7-9, 1974*

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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.

OFFICERS AND COMMITTEES FOR  
1974 DEVELOPMENT COUNCIL

Chairman - James Golden	Term expires in 1975
Vice Chairman - Charles Overman	Term expires in 1976
Treasurer - Bevis Hanna	Term expires in 1974
Secretary - Barbara Deverick	Appointed annually by Chairman

PROGRAM

Chairman - James Kiley	Term expires in 1975
Jack Cochran	Term expires in 1974
Everett Bristol	Term expires in 1975
Mark McNeil	Term expires in 1976

NOMINATING

Chairman - Charles W. Thompson	Term expires in 1974
Richard Selinger	Term expires in 1975
Willard Grager	Term expires in 1975
Millard Goff	Term expires in 1976

MEMBERSHIP

Chairman - Jack Goodman	Term expires in 1974
Clifford Robinson	Term expires in 1975
Virgil Herriott	Term expires in 1976
Tom Townsend	Term expires in 1974

MANAGEMENT RESEARCH

Chairman - Ed Gaither	Term expires in 1974
James Kiley	Term expires in 1975
Willard Grager	Term expires in 1976
Cecil Viverette	Term expires in 1976

- 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.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1974 ANNUAL CONFERENCE REGISTRATION

Adams Electric Cooperative, Inc.

P.O. Box 19

Gettysburg, Pa. 17325

✓ Charles Overman, General Manager

Wayne Kump, Manager, Member Services & Organization Development

Lloyd Geer, Manager, Engineering & Operations

Blue Ridge Electric Membership Corporation

P.O. Box 112

Lenoir, N. C. 28645

✓ Cecil E. Viverette, Executive Vice President

Barbara H. Deverick, Administrative Assistant & Manager of  
Organizational Planning

Carroll Electric Cooperative Corporation

Berryville, Arkansas 72616

✓ Robert "Bob" Weathers, General Manager

Randy Bruton

Carroll Electric Membership Corporation

Carrollton, Georgia 30117

Robert L. Galloway, Manager, Administrative Services

Willie Mae Anderson, Manager, Office Services

Cass County Electric Cooperative, Inc.

Kindred, North Dakota 58051

Willard Grager, General Manager

Cotton Electric Cooperative

Walters, Oklahoma

Don Dage, General Manager

Cumberland Electric Membership Corporation

Clarksville, Tennessee 37040

✓ John Dolinger, General Manager

Frank McGregor, Staff Assistant

Douglas County Electric Membership Corporation

Douglasville, Georgia 30303

✓ Charles W. Thompson, General Manager

East Central Electric Association

Braham, Minnesota

Marv Athey, Manager Finance

Four County Electric Membership Corporation

Burgaw, North Carolina 28425

✓ L. P. "Bill" Beverage, General Manager

H. Wayne Pickett, Staff Assistant



Rural Electric Management Development Council

Jackson Purchase Rural Electric Cooperative Corp.  
Paducah, Kentucky *42001*  
✓ James E. Campbell, General Manager

Kay Electric Cooperative  
Blackwell, Oklahoma 74631  
✓ Clyde Hukills, General Manager

KEM Electric Cooperative, Inc.  
Linton, North Dakota 58552  
John J. Allensworth

Mecklenburg Electric Cooperative  
Chase City, Virginia  
Elwood Blackwell, Staff Assistant

Morgan County Rural Electric Association  
P.O. Box 738  
Fort Morgan, Colorado 80701  
Bev Hanna

Morgan County Rural Electric Membership Corporation  
Martinsville, Indiana *46151*  
✓ Derl J. Hinson, General Manager

Ozarks Electric Cooperative  
Fayetteville, Arkansas 72701  
✓ Millard Goff, General Manager  
Tom Townsend, Administrative Assistant

San Isabel Electric Services, INC.  
P.O. Box 892  
Pueblo, Colorado 81002  
✓ Ed Gaither, President  
Doris Ann DePietro, Administrative Assistant

Shenandoah Valley Electric Cooperative  
Dayton, Virginia *22821*  
✓ Mark McNeil, General Manager

Sioux Valley Empire Elec. ASsocation  
Colman, South Dakota 57017  
✓ Virgil H. Herriott, General Manager  
James M. Kiley, Administrative Assistant

West Plains Electric Cooperative, Inc.  
Dickinson, North Dakota 58552  
A. L. Shjeflo, General Manager  
Olaf G. Sandwick, Staff Assistant

White River Valley Electric Cooperative  
Branson, Missouri 65616  
Clifford Robertson, Adm. Officer

Yampa Valley Electric Association, Inc.  
P.O. Box 1218  
Steamboat Springs, Colorado 80477  
✓ James Golden, General Manager  
Everette Bristol, Chief Engineer/Staff Assistant

Rural Electric Management Development Council

GUESTS

Charles Gill  
R. E. Thomson  
Nicholas Walsh  
National Rural Utilities Cooperative Finance Corp.  
Washington, D. C.

Richard C. Smith  
Rural Electrification Administration  
Washington, D. C.

Robert Kabat  
National Rural Electric Cooperative Association  
Washington, D. C.

Edward Wilson  
Consultant  
Chevy Chase, Maryland

1974 MANAGEMENT DEVELOPMENT COUNCIL  
ANNUAL MEETING

Landmark Motor Inn, Myrtle Beach, S. C.

May 7, 8 & 9, 1974

Tuesday, May 7, 1974

8:45 - 9:15 a. m. Registration

9:15 - 9:30 Welcome, Introduction & Program Review -- James Golden,  
Chairman, Management Development Council

Management Evaluation by and of Electric Systems

A report of a research project directed by the Management  
Research Committee of the Council.

9:30 - 10:00 Report of Research Committee Activities and  
Introduction of Research Report -- Ed Gaither, Chairman  
Management Research Comm

10:00 - 12:00 Review and Interpretation of Draft of Research Report on  
Management Evaluation -- Edward G. Wilson, Former Head  
REA Management Branch.

12:00 - 1:30 Lunch

1:30 - 4:00 p. m. Continued Discussion of Research Report.

Those attending will be assigned to one of several groups  
to discuss specific sections of the Report and to develop  
specific recommendations for additions or changes.

Wednesday, May 8, 1974

L. P. "Bill" Beverage, Presiding

- 8:30 - 10:00 A. M. A Scientific Approach to Planning - Wayne Kump, Mgr. Mbr. Serv. & Org. Development  
Lloyd Geer, Mgr. Eng. & Oper.  
Adams Electric Cooperative  
Gettysburg, Pa.
- 10:00 - 10:15 Coffee Break
- 10:15 - 10:45 Selection and Compensation of College Graduates for Rural Electric Positions - Mark McNeil, Gen. Mgr.  
Shenandoah Valley Elec. Coop.  
Dayton, Va.
- 10:45 - 11:00 Development of Numeric Standards - Charles W. Thompson, Gen. Mgr.  
Douglas County Elec. Memb. Corp.  
Douglasville, Ga.
- 11:00 - 11:30 Policies, Practices & Procedures - Virgil H. Herriott, Gen. Mgr.  
Sioux Valley Electric  
Coleman, South Dakota
- 11:30 - 12:00 Use of Task Force Concept in Rural Electric Cooperatives - Cecil Viverette, Ex. V. P.  
Barbara Deverick, Adm. Ass't.  
Blue Ridge Elec. Memb. Corp.  
Lenoir, N. C.
- 12:00 - 1:30 Lunch
- 1:30 - 3:30 Management and Administrative Practices at CFC - Nicholas Walsh, Adm. Officer  
CFC, Washington, D. C.  
(Mr. Walsh will be introduced by Jim Golden)

Thursday, May 9, 1974

James A. Golden, Chairman, Presiding

- 8:30 - 10:00 A. M. Challenges of the Mid-70's - Robert I. Kabat, Director  
Mgmt. Services, NRECA
- 10:00 - 10:15 Coffee Break
- 10:15 - 11:00 Strategic Planning - Charles Overman, Gen. Manager  
Adams Electric, Gettysburg, Pa.
- 11:00 - 12:00 Business Meeting

Adjournment

Report of Research Committee  
Activities and Introduction of  
Research Report

Ed Gaither, Chairman  
Management Research Committee

The Management Research Committee met in July, 1973 and discussed the responsibilities and objectives of the committee. The committee came up with five basic responsibilities which we need to find out if the council supports before proceeding too far. The responsibilities are:

1. To further the objectives of the Management Development Council.
2. To identify the areas of need for management innovation and application.
3. To establish priorities and arrange for studies to be conducted on the identified areas.
4. To develop and distribute reports of the results of such studies.
5. To coordinate the results of committee efforts with proper committees of the Management Development Council.

After the committee had established the responsibilities, it concluded that an appropriate research project to be explored would be one which would be designed to identify the following:

1. What are the basic functions of the General Manager and his staff and what are the "no fail" areas of responsibility for these key positions ?
2. What are the basic functions of a board of directors ?
3. What are the questions that need to be asked to determine whether significant progress is being made ?
4. What information, data and statistics need to be available in order to give meaningful answers to these questions ?

It was felt that a key role the committee could play between the time of the July, 1973 meeting and the 1974 Council Meeting would be to attempt to identify the questions that need to be asked in order to determine the answers to the four questions listed above. It was also concluded by the committee that the key areas of management concern have, in most instances, already been identified and, in addition, many of the questions that need to be asked in these areas have also been previously developed.

After much thought, exploring many areas, the committee determined that it should contact Ed Wilson who had recently retired from REA to review the proposed project with the committee and get his reaction. This meeting with Ed Wilson was held in October, 1973. We reviewed with Ed the ideas of the committee and discussed parameters of the project. As I recall, the research committee was given the authority to spend up to \$5,000.00 the first year if deemed necessary. I am pleased to report that we are going to be at about half that amount by the time this annual meeting is concluded and naturally, we are going to be interested in your reaction to what we've developed thus far.

Ed did get out a couple of drafts of what we had discussed. Each member of the committee agreed to select two other member systems in their general area - member systems of the Council - to react to the draft (what we were trying to accomplish), and to feed back their input which in turn we fed back to Ed to consider in further revising the work to be started. You will note from the program for this meeting we have chosen to call the project, "A Management Evaluation By and Of Rural Electric Systems".

The committee met at the NRECA Annual Meeting in San Francisco in February of this year to discuss Ed's first draft of the report and forwarded comments to Ed who did not meet with the committee on this occasion.

The committee cannot over-emphasize that the work is just started, it is by no means a finished product. The committee views it as a foundation from which we feel that something meaningful can be developed that will help us, and hopefully, can be passed on for utilization by any rural electric system who is interested in so doing. But certainly, we feel that at this time the field has simply been plowed. We have got to plant the seed, got to spread a little fertilizer, water it along the way, nurture it. If you agree with the committee that this is a meaningful project and that something worthwhile can ultimately be developed, then we ask your help in refining and strengthening the project.

Ed Wilson will give you an overview of the project and we will circulate copies of the draft. Following Ed's presentation, we will make assignments for group discussions which will be held this afternoon to give feedback to the committee and to Ed which will be utilized in further refining the project.

## Report From Group Discussions of Research Report

Group I - Review of Section of Report relating to Corporate Responsibilities  
Reporter: Ed Gaither

Questions developed by group which could be considered for inclusion in the project:

1. Does the system have a systematic means of ascertaining the needs of its members ?
2. Does the system have a means of incorporating these needs into the system objectives ?
3. Does the system methodically assess the impact of other non-electric activities, goals, plans, etc. upon its operating and financial structure ?
4. Does the system have a history of eliminating non-productive activities ?
5. Does the system understand the dynamics of change ?

One of the things cooperatives have to concern themselves with is the role of a corporate citizen in improving rural life. This is necessary if we agree with the premise that there is a reason for existence other than the providing of electric service.

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Group II - Review of Section of Report relating to Director Responsibilities  
Reporter: Cecil Viverette

Our group felt that we needed to adjourn and join Group III because the most of us felt that the way the manager performs has a great deal to do with the way the Board of Directors performs or the type of directors cooperatives have. One thing we did agree on - there are as many different types of Boards of Directors as there are cooperatives, or different styles of boards as there are different styles of management. Boards go all the way from wanting to be completely involved in operations, and this is the only thing they are concerned with - cash disbursements and things being purchased, etc., this kind of thing - to those boards which are only concerned with results being achieved - policies which need to be established and the objectives of the organization. The range is so wide it is difficult to close the circle. Getting back to the Board and the Manager, it is like saying which came first, the chicken or the egg. It was the general concensus of the group that if the manager is not leading the Board, the board is not likely to develop. More work is needed in helping the cooperatives to secure competent managers. REA and CFC, our two bankers, have the leverage to do this. NRECA has not developed a program for assisting boards in their employment of a manager. A competent manager is able to lead a board of directors. Once a manager is in this position, he can get the board to see itself in a different light and begin to develop and change attitudes in

regard to what the board's responsibilities are. A board many times looks at their rural electric system and evaluates it on the basis of systems which are doing a poor job. They should be looking at the best systems and saying we want to do better than that. I think this is what we are talking about here. A board ought not to look at itself and be self-satisfied. It ought to look at the cooperative that is doing the very finest job and say what are they doing that we could be doing, maybe not exactly the same things, but doing things different that would help their cooperative be a better cooperative, or being able to accomplish more than that cooperative rather than being self-satisfied and saying, "We're better than other cooperatives." We didn't reach any conclusions... I think this in itself indicates the report is on the right track... this is something.

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Group III - Review of Report section relating to General Manager Responsibilities  
Reporter: Willard Grager

We didn't really have time to address ourselves to a full discussion on this section of the report. We concentrated on the questions on page 35. Questions raised relating to planning were - How do I know the goals and objectives as established are still appropriate? (Things that were appropriate in the 40's and 50's of getting lines built to all the customers.) Are our goals self-centered? Are they realistic? Are they broad enough? Too broad? Do they relate to the community we serve? What sources of information do we have? On what do we base our decisions? What is the situation relative to our position in time?

Questions raised relating to personnel were: How do we know that our employees are in agreement with us in understanding the objectives of the organization? How do we know that people are accepting the delegations we have given them? Do they accept the delegations with the same tone and attitude in which they were offered by the manager? Do they really have the authority to carry out the delegations given them? Do we know the relationship which exists between each department and the relationship which exists between each supervisor and the people he supervises and his subordinates? How does management find out that relationship in this area has dropped?

Questions raised relating to key performance areas were: What is the situation at the present in the various key areas or key performance areas? Are the key performance areas established in 1968 still key performance areas today? What do we base our decisions on?

Questions relating to change: How do we adapt ourselves to change and get ourselves in gear so that we can effect change? How can we be leaders in this area? To those areas which we cannot change or affect, how do we gear our operations or what questions do we ask ourselves to make certain that we have given proper attention and consideration in our planning to these areas which affect our operations but which

we cannot change:

Our group wished that we had several more hours for discussion.



Group IV - Review Section of Report relating to General Manager Responsibilities  
Reporter: Jim Kiley

Our discussion was somewhat repetitive to Group III. We went through stated questions on pages 35, 36, and 37 of the report and our group felt that the whole area of planning needs to have consideration given to how good a job is being done in terms of communicating and interpreting plans to the employees and to the members and to the public.

In the organization area we felt that some question should be raised to deal with the adequacy of the organizational structure.

In the controlling area we felt that the reporting systems should be examined periodically to assure the reports are relevant to system needs for information for planning and re-planning.

The committee felt that there were a number of people who have knowledge and experience in the area of the items mentioned in the second dimension of the report and would be happy to share this information and their viewpoints with the committee and the Council. Nick Walsh mentioned that J. K. Smith had written a letter to some REC manager who had requested his thinking as it related to those things to which he would give concern as it related to financial management in a distribution cooperative. This is only one area, but it illustrates what we mean about people who could serve as resource people in these areas.

The group concluded that a lot of work needs to be done in determining applicability and appropriateness of cost standards, although with the higher cost of money and the higher cost of investment, materials, etc. that this is becoming increasingly more and more important as an area of concern and must have more specific attention.

Finally, in the fourth dimension, that in the area of change there was no disagreement with the emphasis that was given to this during the discussion this morning. Barbara did mention that in the second question asked in the report, "What are the changes which are taking place and to which I must adjust? - that we adjust to some change and manage other change, and perhaps emphasis should be given to the management aspect as well as to the adjustment to change.

— — — — —

At the conclusion of the group reports, Ed Gaither, Chairman of the Management Research Committee, requested that Chairman Jim Golden consider the report of the Committee during the business session of the Council Meeting. Chairman Gaither thanked the Committee and the members of the Council for their participation in the group discussions.

## Questions Raised Regarding Research Report and Its Contents

### Question

Bill Beverage: My cooperative environment is changing so fast, I'm just trying to stand still. Standards are changing in - power use, margins, community development, power costs, cash flow, etc. How do we make proper evaluation of this project in light of the rate of change today?

### Answer

Wilson: The project is not aimed at giving solutions to these problems. Project is aimed at person who is relatively well satisfied with what he is doing now.

You're looking for specific activities to be carried out at Four County EMC and there are no specific answers which will meet all EMC's needs.

Viverette: The committee recognized the acceleration of change and asked what are some of the things we can do (other than financial management) to stay ahead - to act instead of react.

Kiley: What Bill said is what committee meant, we can't put down numeric standards for REC's each cooperative (given the management staff) will come up with its own standards.

Grager: Yes, one reason the committee chose this project is because of the acceleration of change. What questions do I ask myself and the board to assure Cass County does what it should in the best interests of Cass County REC, the community, and North Dakota and the nation.

Dage: Long Range Planning must be done and is good but short range decision-making is what will make or break the Cooperative.

Wilson: I have one more comment to make about change. At one of the committee meetings that we were at, Cecil Viverette mentioned that he used to have cash flow forecast at Blue Ridge EMC, I don't know what the frequency was, maybe every six months, once a year, etc. He had plenty of cash laying around. Cecil mentioned a few minutes ago that he wants the cash flow report on his desk every Monday morning - the forecast for the week. It is done daily. There are an awful lot of people who manage very small systems who also worry about their cash flow every day. Now they don't get the kind of reports that Cecil does, because when you are small you have it all in your head. With 26 million dollars invested you get more reports on cash flow. That is one side of it. I am not sure that is a different side of it. I am not sure, really, that five years ago you didn't think about your cash flow every day. But one of the reasons that you think more about it now is the cost of money. The cost of money isn't two percent anymore. It is a lot higher than that, and that makes a lot of difference. This is just one change.

Review of Draft of Research Report on  
Management Evaluation By and Of Rural Electric Systems

Edward Wilson, Consultant

Wilson's Comments on Research Project

Project is exciting because members of Council are trying to do things better.

Questions raised in the discussion with the committee included:

What are the no fail areas for a Manager ?

- "Anything can become a no fail area if the guy you report to says it is "A No Fail Area".

What activities should a Manager be engaged in ?

What should the Cooperative (Corporation) be doing ?

Can a Manager really evaluate a board ?

Report is developed in three parts - First part deals with purpose of the organization - Second Part deals with Board Responsibilities and Evaluation - Third Part deals with Manager responsibilities and evaluation.

Observations made by Wilson in Presenting Report

The cooperative must grow or it dies. (Change, grow, improve or fail and die.)

A rural electric system shouldn't take hold of things it can't let go of.

If there is something a rural electric system can do within practical areas to improve the community it serves, it should do so.

Wilson then reviewed the contents of the draft research report and discussed need for ACTIVE change not REACTIVE change.

Draft report follows.

5/2/14

MANAGEMENT EVALUATION

BY AND OF

RURAL ELECTRIC SYSTEMS

A Project of the Rural Electric Management Development Council

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## PREFACE

Knowledge about the practice, and the practices of management is growing. In some respects that knowledge has reached the point where we feel we can identify principles and statements that are true and valid in all circumstances. In more respects, it has not reached that point.

Most of the "truths" of management must be expressed as generalizations rather than as absolutes, in prescribing management actions. There is almost no activity, or inactivity, which is always the best action to take, or even always good or bad. Experienced managers have found that just about every rule should have its exceptions. Hopefully, our knowledge about what works successfully, and what doesn't, is growing. But it looks as though it will be many years before there is developed a set of principles or guidelines that will prescribe the best possible management action in each and every set of circumstances.

In the meantime, how can a rural electric system manager or director try to improve his performance? While there are several valid answers to this question, this project suggests: Seeing whether he (or she) can improve his present understanding of management's responsibilities and functions; and, in as objective a manner as possible, asking himself questions about the situation and his performance that will shed light on how to do a better job.

Although extremely difficult to do effectively, self-evaluation by management personnel - the objective scrutiny of one's own performance - is viewed here as a practical approach to management improvement.

One of the observations which Tom Nelson reiterated to many of us, in his discussions of management functions and responsibilities, was that while it was important to know the answers, frequently it was harder and more important to find out - what is the question that should be asked?

In this project the attempt is made to develop a restatement of rural electric corporate responsibilities, and of the functions of their managers and directors. Our objective is not to establish the list of responsibilities and functions, rather, it is to stimulate each member of management into examining and reexamining his concept of his responsibilities and func-

tions, to see if he can improve his own or others' understanding of these matters, and of relevant principles of management.

More importantly from the project standpoint, this is an attempt to develop questions and sets of questions that will be useful to members of management in evaluating their own and their system's performance. There are many attitudes and conditions, particularly pride of accomplishment, which make it extremely difficult for any of us to examine critically his own efforts and the results of his own work. Of course, we need some sense of pride in past accomplishments to give us greater strength to conquer tomorrow's problems. But even more than pride we need an unremitting zeal to improve.

We hope this project's statements and questions will be useful to some of the thousands of persons involved in rural electric system management who are continually trying to improve their own and their system's performance.

We can and must manage better.

## Chapter 1

## CORPORATE RESPONSIBILITIES

The rural electric systems were formed to improve rural life. This they expected to do by bringing the conveniences of electricity to farms and to other homes and establishments in rural areas.

The individual men and women who founded or helped in the organizing of these systems had various and sometimes divergent motives. Nevertheless, the common theme of their joint efforts was improving the way of living in rural areas - around the farm and in their homes, schools, churches and country stores. The tool they fashioned was a non-profit corporation whose primary activity was the construction and operation of an electric system to make the benefits of electric service available throughout the service area to all who wanted to secure them.

But merely constructing and operating the system was not enough for the corporation to do. Other responsibilities developed.

The component parts of each system were designed to facilitate the delivery of some minimum average amount of electricity, and most of the components had a service potential in excess of the minimum. Rates were established at levels expected to produce a small margin above operating costs when the sales approximated the design level. So long as the sales were substantially below this level, the corporation could be expected to operate only at a loss. Thus the great majority of new rural electric system managements recognized a need to promote the use of electricity by their existing and potential consumers, in order for the corporation to be economically viable. Meeting the need was said by the government to be a responsibility of management, in addition to operation of the system.

Numerous and quite different activities were engaged in by system managements to promote the sale of electricity. They ranged from merely answering questions posed by the consumers, to the operation of full-fledged appliance stores. They included such things as credit plans for consumer loans, group wiring programs, group purchasing of appliances, coordination or cooperation with sales campaigns of local merchants, employment of home economists or electrification advisers to meet with consumers, and combinations of such activities. Frequent and vociferous were the debates between



proponents and opponents of different kinds of promotional activities as to their relative advantages and disadvantages. The great majority of system managements, however, recognized a need for promotional activities and felt obligated to take some action, although their responses were quite different.

As years passed, systems recognized and responded to other needs, such as helping to get scrap iron off the farms in World War II. Half a hundred refrigeration locker plants were built with electric system sponsorship; generally these achieved a less-than-satisfactory degree of success, whether operated independently or by the electric system.

In the forties, rural electric systems as a whole played a major role in securing amendment of the Rural Electrification Act to cover another facet of improving rural life - improving and extending the availability of telephone service. Individually, many electric system managements played a significant role in helping form telephone systems. Probably a considerable number of electric system managements would have gone into the telephone business had this not been prevented by a national loan policy requiring separate corporations for the different utility services. Several of these did in effect do so through management and service contracts. Where these were successful, the success generally must be attributed to the efforts and skills of a particular person rather than to a spectrum of corporate relationships.

In the sixties, nearly all rural electric systems engaged in some kind or kinds of socio-economic activities aimed at improving rural life. The primary thrust of these activities was the broadening of job opportunities in rural areas, but they also included hundreds of different efforts to make the advantages and amenities of urban life available to those who lived in small towns and rural areas. As with other needs, the nature of the responses by individual systems were diverse and varied broadly both in kind and degree. In some cases the system management sponsored the formation of new businesses and provided significant financing, with too frequently a less-than-satisfactory degree of success. In thousands of cases, where the electric system contribution seems better described as cooperation with other community groups and agencies interested in success of the

activity, success was achieved.

There is a temptation, after reviewing the electric system successes in efforts to improve rural life, to conclude they have or ought to have a responsibility for routinely initiating a leadership type of response to recognized needs. Sometimes there is a temptation, after looking at situations where such an effort jeopardized the electric system, to deny any and all such responsibility. Both should be avoided.

Let it suffice here to make these observations about the differences in efforts to improve rural life: First, the association of recognition of a consumer need, the feeling of an obligation to meet the need, and acceptance of responsibility to initiate activities aimed at meeting the need, is too indigenous to rural electric systems to be ignored by system managements. Second, the difference and divergencies in responses to the recognized needs, and the fact that a particular response seemed successful in one place and a failure in another, warns against an automatic progression from recognizing a need to taking a particular action to meet that need. Third, despite years of experience, we still need better guidelines as to what are the corporate responsibilities of rural electric systems, and how they can best meet those responsibilities.

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There is another "fact" of corporate life that must be recognized in discussing corporate responsibilities. Corporations must change, or pass out of existence. Population and the economy are growing, and a corporation must grow simply to maintain its same place relative to its surroundings. Growth involves change, and the change that takes place should be growth.

Growth of course is not enough. It should be successful growth. System managements that do not operate successfully will be replaced, either by existing owners or by new owners.

But even successful operations do not do more than make it possible for the corporation to stay in existence. The history of electric utilities is filled with instances where corporations operating successfully have been merged with or combined out of existence by other systems. Un-

less the owners perceive the continued existence of their electric corporation to be in their best interest, they will sell out when a suitable purchase offer is made.

Merely rendering good service, while a basic responsibility, is not enough. Practically all electric systems today provide good service. Even though the rural electric non-profit corporation may render superior service, the distinctions between good and superior service are likely not to be understood or appreciated by its consumers to a degree adequate to withstand a sellout campaign. Something more is needed.

With respect to rates, and speaking strictly from the standpoint of a management trying to assure maintenance of its existence: The rates must of course be high enough to cover necessary expenses and produce some margin. For public power and utility districts, generally this margin should be no more than is needed to provide the net worth and annual earnings adequate to assure borrowing at reasonable rates; an excess of cash or an unnecessarily high level of rates is more likely to be criticized than to be considered justifiable. For cooperatives with capital credit plans, rates should be just slightly below the levels of neighboring commercial utility companies if rates at this level will cover necessary expenses and produce adequate margins. Rates substantially below this level are likely to incite costly attacks from those who do not wish non-profit systems to succeed.

Where cash and margins make it possible, consideration should be given to capital credit retirements. Increasing the expenditures for improving rural life simply as a means of avoiding capital credit retirements is not a feasible alternative to producing higher-than-needed annual earnings. Consumer-owners are not likely to consider it wise for management to expend system resources to improve rural life just because the money is available to do so; a better rationale is needed.

Engaging in, encouraging, or cooperating with others in various efforts to improve its consumers' manner of living is certainly a way in which a rural electric corporation can (unless prevented by law) change, grow, and demonstrate to its owners the desirability of its continued existence.

In fact, where the consumers' allegiance cannot be maintained continuously through lower rates or capital credit retirements, initiation of community activities may be the only option available to system management for retaining consumer loyalty. Further, the community activities must themselves change, grow and be successful. Consumer preference tends to be based on current events and current expectations of future benefits, not the benefits and disappointments which motivated the corporation's first consumers.

It is readily apparent that each rural electric system management feels some responsibility for engaging in community activities. Experience has also shown the extent of these activities can be overdone. What are the criteria for translating this generalized responsibility for helping improve rural life, into decisions to engage in or avoid particular activities? Possibly these are the criteria that have validity at this time:

- 1.) The activity should be one that can be talked about. If the decision to begin it, or subsequent actions must be surreptitious, there is good reason to question involvement in the activity almost irrespective of potential community benefits.
- 2.) The activity does not have to be one that clearly will strengthen the rural electric system; however, it should not have the capability of weakening the system beyond a clearly calculated expenditure of resources. This means, for example, avoidance by the electric system of commitments to furnish other utility services such as communication, water or sewer (for once started, they can hardly be stopped short of bankruptcy) or even service contracts with other corporations (for the same reason - it may not be practical to terminate the service contract even though it is uneconomic to continue it). No "investment" should be bigger than what can be written off as a loss, no matter how good the "security" for the investment.
- 3.) The activity should have the general support of the consumer-owners, and be so conducted as to avoid making enemies. One virulent outspoken opponent may outweigh a hundred passive or potential supporters.
- 4.) The cost of the activity should be such that, if the electric system consumers figured out the cost on a per-consumer basis, the majority of the consumers would be willing to make a contribution of that size for successful performance of the activity.

- 5.) Performance of the activity should be peripheral to other duties of the personnel involved. Where performance of the activity appears as the primary duty, the situation invites the conclusion that a substantial saving would be made by eliminating the activity and personnel involved.
- 6.) An activity which can be described as extravagant, frivolous, or as having a benefit potential limited to those not perceived as warranted in receiving the benefit, should be avoided.
- 7.) The extent of the total community activities should be kept below the point at which any consumer would get a "tail wagging the dog" picture of the system in relation to its basic electric utility responsibilities. This is not just a matter of dollars; it is more a matter of relative publicity, news items and stories, and other factors which cause consumer-owners to form opinions. Community activities should be and appear as an adjunct and peripheral to the furnishing of good electric service.
- 8.) Whenever the cost of the system's electric service is considered high, management should be especially cautious about expenditures which possibly could be reduced or eliminated.
- 9.) Where the community activity is considered worthwhile but could be better or more logically carried on by some other group, the rural electric system generally should give preference to encouraging that group to meet the need.
- 10.) Within these generalizations, and considering any local factors which may be influential, management should lead or cooperate in legal activities that benefit the consumer directly or as citizens of the community in which they live.

\* \* \* \* \*

Corporate responsibilities of rural electric systems include the following:

1. Making electric service available to all those in the service area who want service, at the regular rate and minimum and without extra charges to the extent possible and equitable to existing and new consumers.
2. Furnishing a quality of service that meets and where possible exceeds industry standards.

3. Charging rates which are reasonable, reflect applicable non-profit operating procedures, and permit satisfaction of all agreements.

4. Performing other services desired by the consumer-owners, consistent with legal requirements and meeting the primary responsibilities of the system.

5. Performing all undertakings in an efficient and economical manner.

## Chapter 2

## EVALUATING CORPORATE RESPONSES TO NEEDS

All of us are constantly making evaluations. As a result of our evaluations (which are sometimes conscious and other times "automatic" or un-studied) we arrive at decisions to act or not to act. We decide this is right and that is wrong; we like this, and dislike that. Because of the importance of sound decisions, especially to executives; and because so many unsound decisions are due to avoidable mistakes in methods, we need to look at least briefly at the process and technique of evaluation.

The process of evaluation is considered to have three steps: First, the establishment of some "facts" or data presumed to be descriptive of that which is being evaluated. Second, the establishment of some other "facts" or data to be used as a yardstick for measuring the data or object to be evaluated. Third, the development of a conclusion, presumably based on our comparisons, determining that something is right or wrong, too big or too little, good or bad or somewhere in between, etc. There are pitfalls in each step, and sometimes the pitfalls which in retrospect seem obvious, are those which are overlooked while the process is taking place. Some of these pitfalls, and how to avoid them, are discussed in the next five paragraphs.

Experienced executives are seldom misled into accepting as true a statement which is wholly untrue. But too frequently a "fact" about something, while true or partially true, is so small a part of the whole truth that it is misleading. For example, take density (consumers per mile of line) as a criterion of system capability. Two systems may each have a density of about 3 consumers per mile; but if one system is serving an area which from border to border consists of farm and non-farm consumers with substantial incomes, and the other system serves several dying towns and villages and widely scattered low-income farms, the numbers are misleading. And even apart from the question of how the numbers are arrived at, how valid is the use of density to measure system capability without considering the size of the system - is it a system serving an isolated village of 350 consumers, or an area supporting a system of 30,000 consumers? Assumptions, and more particularly the unrecognized assumptions about

the truth of a statement, are the most common pitfalls in assembling "facts". If time permits, examine any assertion and decide how true it is before you accept it as being 100% true.

There are at least three different kinds of comparisons or yardsticks used for evaluations, each with its own pitfalls. First, there is the comparison of the same object or "thing" at different times or for different time periods. Here it is essential to determine whether one is in fact measuring the same "thing". For example, if margins are twice as high in one year as in the preceding year, one is likely to assume there was some significant difference in receipts or expenditures or both; when, in fact, the only significant difference may have been the way in which the accountant allocated overhead as between construction and operating activities. Again, it is the assumptions that must be checked - in this case, the assumption that accounting procedures for the two periods were the same.

A second kind of evaluation procedure is comparing an object or thing with another object or group of objects, or an average of the group. Here also we must be sure we are measuring the same "thing". If we are measuring against an average, two additional pitfalls must be recognized. First is the matter of the technique used to produce the average - is it a mean, median, mode, the result of applying some regression formula, an expert's judgment as to what is average, or what? (Before using it, know at the very least precisely how the average was developed.) Second is the matter of the comparability of the objects in the group, and especially with respect to the characteristic or aspect being evaluated. For example, although two neighboring systems are alike in a great many respects, it does not follow that they are or ought to be alike in the particular characteristic being compared.

The third kind of comparison is using a "standard" or similar "yardstick" for evaluation of status or accomplishment. Here all of the previous pitfalls are potentially applicable. In addition, the standard inherently represents some third party's value judgment, and generally sets a minimum or maximum as to what is acceptable or unacceptable in a given situation. While such standards (such as TIER and DSC) have several proper uses, a system's management attempting to apply standards in making



decisions ought always to remember that the minimum or maximum prescribed by the standard may or may not be what best meets the needs of the system. Standards are frequently useful in making decisions; but generally they are only a part of what should be considered.

Probably the most important pitfall of these traditional kinds of evaluation is that they tend to establish what we have been doing and are doing, and what our neighbors have been and are doing, as criteria for accepting the status quo. But merely maintaining the status quo when something better can be done is, as pointed out in Chapter 1, the beginning of the end. Nor is there any one right answer as to what a thousand systems should do to meet their corporate responsibilities. There are at least hundreds of "right answers". And today's right answer for a particular system may be a wrong answer for that system tomorrow.

All these traditional methods of evaluation depend on the establishment or acceptance of some yardstick or "norm" which represents what is right or at least acceptable, to make an evaluation. But in much of management, and particularly in evaluating the scope of corporate activities, there is no single, definitive listing of proper activities (or, or what are, for that particular corporation, unsuitable activities) to serve as the yardstick for evaluating performance. And in view of the diversities in community needs and in the rural electric systems' capabilities for meeting recognized needs, we doubt such a list can be prepared.

Under these circumstances, how does a director or manager decide his system's corporate responses to needs is good, bad, or somewhere in between?

In Chapter 1, we suggested a list of corporate responsibilities. We believe a person who is familiar with a particular system's activities and the community it serves, can, if he asks the proper questions and maintains the proper attitudes, arrive at useful decisions about which corporate activities should be continued, which should be changed or dropped, and new activities to be encouraged.

In short, to evaluate his system's response to needs, we suggest that a director or manager:

- 1.) Assimilate the statement of corporate responsibilities set forth at the end of Chapter 1, use his system's statement if it has one, or establish a better statement, for evaluation purposes.
- 2.) Be certain he is familiar with exactly what the system is doing or not doing (not just its "policy", or what someone "thinks" is being done), and the consumers' and community's needs.
- 3.) Ask questions (such as the following) that will help him decide how well or how poorly the corporation is responding to needs and meeting its responsibilities.

\* \* \* \* \*

With respect to Corporate Responsibility No. 1 (Area Coverage):

- 1.) If there are any unserved establishments in the system's service area: Can they get service at the regular rate and minimum? If not, how would you feel about paying the extra charge?

With respect to Corporate Responsibility No. 2 (Service Quality):

- 1.) What are your system's standards for service continuity and voltage levels? How do these standards compare with industry standards?
- 2.) Does the system's performance meet system standards so far this year? Last Year?
- 3.) How does system performance compare with neighboring systems' performance?

With respect to Corporate Responsibility No. 3 (Rates):

- 1.) How do the rates for each class of consumers compare with neighboring systems' rates for low, average and high users?
- 2.) If a cooperative, are all consumers furnishing capital and receiving credit for the capital they furnished?
- 3.) Are the revenues adequate to maintain a financially strong system?
- 4.) Are the rates, or is any rate or rate block, unjustifiably high?

With respect to Corporate Responsibility No. 4 (Other Services):

- 1.) What proposals for additional services by the system have been made and turned down? How do the reasons for not furnishing the service compare with the criteria in Chapter 1?
- 2.) Are there services being furnished which do not meet the criteria in Chapter 1? Should they be modified, or discontinued?
- 3.) Is your system providing services that make the majority of your consumers feel they would rather be served by your system than by any neighboring system? If not, why not?
- 4.) What is your system doing for its consumers this year that's an improvement over last year?

With respect to Corporate Responsibility No. 5 (Efficiency):

- 1.) In what ways are system resources being wasted, or not used in the best way? Why? What have you done to secure improvement? What more can you do?

## Chapter 3

## BOARD AND DIRECTOR FUNCTIONS AND RESPONSIBILITIES

In most rural electric systems, all of the corporate powers are vested in a board of directors (or trustees) except those which by law, charter or bylaws are conferred upon or reserved to the membership.

Inherent in those powers is responsibility. The board of directors is accountable, as a group and individually, for reviewing consumer and community needs, and seeing that the rural electric system does the things it should do, in the way it should, to meet changing levels of consumer satisfaction.

Determining the nature and scope of major corporate activities is one of the most important functions of the board. Possibly it is the most important. Thus all of Chapter 1 concerning corporate responsibilities should be viewed as part of this discussion of board functions and responsibilities. In this chapter, however, we pay more attention to how the directors translate board decisions concerning corporate activities into effective, efficient operating programs.

The board of directors holds its general manager responsible for carrying out the programs it has authorized. It also expects the manager to volunteer advice on what should be done, warn against adoption of unwise proposals, and report honestly on his failures as well as his successes. Obviously selecting the general manager when the need arises is one of the most important responsibilities of the board. Perhaps it is the most important, even though infrequent. Unless there is great change in the average tenure of managers and directors, the exercise of this responsibility is not likely to be frequent enough for a board to learn all it needs to know about manager selection from its own experience. When faced with the need to select a new manager, boards are encouraged to seek assistance - such as that available from NRECA, REA, other consultants and neighboring systems who have recently been through the process.

One of the situations which is too frequently found in this area is that the need for an unusually competent manager is likely to be in inverse ratio to the apparent ability to pay what it will cost to employ him. In this situation we suggest following the employment arrangements

generally found where "winning" is essential: Decide on the person you want, and be willing to pay his relocation expenses; remember this can be done less expensively by paying them outright than by considering them a part of the base salary. Determine the general nature of a program that will bring the system up to financial stability. Agree with the new manager on employment arrangements for the time required to carry out the program. Review performance on the basis of accomplishments, taking into consideration the constraints over which he had no control.

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One of the approaches commonly used for listing and categorizing board responsibilities is to do so on the basis of planning, organizing and controlling. This approach is particularly useful in discussing activities, and especially where a change is needed in management activities or in the way responsibilities and activities are divided between the board and manager. It is also a useful approach when a board and manager, having arrived at a comfortable working relationship, put it in writing for new directors and as a reminder for the directors and general manager when a reminder is needed. However, the nature and detail of planning - organizing - controlling activities vary so widely among systems, and management styles are so diverse even among successful systems, it does not seem practical here to differentiate between what the board and the manager do - which would be necessary to prescribe a set of detailed planning, organizing and controlling activities as being "board" responsibilities.

Irrespective of the management style, it is important for the board and manager to work together as a team, each helping the other, and each concentrating on how he can evaluate and improve his own performance.

The problems encountered in securing teamwork on a rural electric system are probably not much different from those encountered in other corporate businesses. The things that enhance it, or diminish it, are more nearly inherent in the character and characteristics of the people involved, than in the operating techniques or business practices involved. For example, teamwork is enhanced: When the people involved can discuss all aspects of a problem frankly and in depth, without the discussion becoming personal or bitter. When the people involved feel that each person

means what he says, and is saying what he means. When the people faced with a problem will either take a stand and later accept responsibility for being right or wrong - or if they refuse to commit themselves, refrain from second-guessing those who did. When the people involved know about, understand, and agree upon their respective responsibilities. When the people involved feel that effort is appreciated, and success is rewarded. (And each reader can probably and validly add several more such cliches from his own experience - the important thing is, do any of them "strike home"?)

The following list of board functions and responsibilities is therefore set forth primarily to serve as a framework for the questions posed in the next chapter. Other approaches may have superior advantages in other circumstances.

1. Amend or recommend amendments to the bylaws and charter.
2. Determine major activities needed to meet corporate responsibilities, and establish sound objectives, goals, policies and organization for these activities.
3. Determine responsibilities of and authorities delegated to the manager, and authorities retained by the board.
4. Hire, compensate and when appropriate terminate employment of the manager.
5. Review and evaluate the manager's performance in terms of the organization's achieving general objectives and specific goals, the obstacles and difficulties to be overcome, and his contribution thereto.
6. Approve contracts and make sound timely decisions on all matters on which final approval authority has been reserved by the board.
7. Hire, compensate and when appropriate terminate employment of consultants who advise the board.
8. Provide for board continuity and succession through:
  - A. Attaining objectivity and good results in the nomination process with faithful adherence to bylaws and democratic procedures.

B. Holding valid effective membership meetings.

C. Holding valid effective board meetings.

9. Obtain information about member and public attitudes.

10. Counsel the manager.

11. Support the system and advance its objectives among the members, the community, the voters, and governmental officials.

## Chapter 4

## SELF-EVALUATION BY BOARDS AND DIRECTORS

As indicated by the chapter title, two types of evaluation are needed. One is an evaluation of how well the board as a whole is playing its part, and what the board needs to do better. The second is an evaluation by the individual director of the strengths and weaknesses of his contribution to board performance.

Evaluation of a group's performance, in a situation of this sort, generally takes into account both effort and accomplishment; but the two are intertwined. For example, where the degree of effort, although low, is enough to produce an adequate accomplishment, a low degree of effort is frequently considered acceptable even though a high degree of effort might have produced a higher accomplishment. Conversely, where the accomplishment is unsatisfactory, a low degree of effort is not likely to be tolerated for long and repeated failure inherently results in change even where there is a high degree of effort.

These fundamentals of evaluation affect board evaluation in this way: In Chapter 3, it was noted that the board has the power and the responsibility to take or initiate all of the actions which should and can be undertaken to achieve the corporation's objectives. The degree of system success therefore automatically is or will be taken into account in evaluating overall board performance. This means the board in its self-evaluation of accomplishment should consider such questions as:

- 1.) Is the system providing electric service to all those who have a right to expect its service?
- 2.) Is the system providing a high quality service to all its consumers?
- 3.) Are the rates no higher than the rates of neighboring systems serving similar territory?
- 4.) Are we spending enough on maintenance and system improvements to keep the physical system in good shape?
- 5.) Are we meeting our financial obligations and maintaining a good line of credit?



- 6.) Do we have reasonable reserves?
- 7.) Are we meeting our consumers' needs for something more than bare-bones electric service?
- 8.) Does our system give its consumer-members and others the appearance of being a successful non-profit service organization? (For a board whose members wish to be re-elected, it is most important to do right; it is next-most-important to give the appearance of doing right, and to avoid wrongdoing.)

For the system which currently seems to be meeting all its goals, the most obvious question is -- should we raise our standards and goals? Are there connection charges we should eliminate? Should we raise our standards for continuity and quality of service? Are there other services we can and should be performing -- is the light of our success blinding us from seeing what more we could be but are not doing for our consumers?

The successful system, like any other system, should also give consideration to the amount of attention paid to avoiding or ameliorating the results of disasters or other mishaps:

- 1.) Could a single fire destroy our rolling stock? Records?
- 2.) Could a single equipment failure stop our billing process?
- 3.) Could a power failure stop our communications process?
- 4.) What power supply failures do we have alternatives for? (Generators, transmission lines, substation transformers, breakers, fuses, fans, contract disputes, etc.)
- 5.) What size wind, water or ice storm are we prepared for? (Poles, conductor, insulators, all items of hardware, line equipment, rolling stock, tools and work equipment, man-power, maps, supervisory and other emergency procedures, etc.)
- 6.) Do we have an alternative line of credit?

The system which currently is not meeting its goals is of course concerned with the causes of its difficulties, and the remedies. Experience indicates that generally by the time the failure is evident, the reason

for it is apparent and a remedy can be identified by the board and general manager. Where this is not true, the board should promptly seek advice from consultants or others in whom it has confidence. Only rarely is inaction the proper solution to a utility operating problem.

Most of the foregoing discussion deals with the self-evaluation, and the problems of improving the operations of a successful system, rather than the system with severe difficulties. There are three reasons for this: First, most rural electric systems are doing fairly well. Second, where a system is observed to be doing poorly, generally the need for, desire and means for improvement are also apparent. Third, it is generally more difficult to improve on a good situation than on one that is not so good.

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Self-evaluation by an individual director of his contribution to board performance should begin with a review of such elementary things as his record of attendance, and promptness, versus contributing to a delay in starting board meetings. He should review board discussions to see whether he contributed to formulation of the board's decision, versus silence -- or mere ratification of an obviously majority viewpoint.

The individual director should also review the various decisions made by the board during his tenure, indentifying them as right or wrong, and then count the number of times he voted on the right and wrong sides. Here the temptation will be to remember the instances when he initially voiced opposition to a decision which later proved wrong, but voted with the majority "for the sake of harmony" on the board or to keep the manager happy; forswear the temptation, for a wrong decision is still a wrong decision even though concurred in reluctantly.

Of greater difficulty, but possibly of the greatest importance, is to review the situation in which the board should or might have acted, but did not, and the reasons for the lack of board action. Were the directors not making sufficient efforts to find out what the consumers were thinking? Was the long-range planning inadequate? Was somebody afraid an action might "rock the boat"? Should a consultant or the general manager have been replaced? Did the board know about but fail to object to sloppy purchasing procedures? These and similar questions, when faced without dissembling,

may make the greatest contribution to self-evaluation -- and even more importantly, provide useful clues to the director as to how his performance can be improved by his own efforts.

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Following are some questions which may help the board on an overall basis, or the individual director, gain some insight on how board and director performance can be improved through self-evaluation.

With respect to Board Function No. 1 (Bylaws):

- 1.) Are there any provisions not now being carried out?
- 2.) How do the bylaws compare with the REA recommendations?
- 3.) Can we or our attorney foresee any situations arising that would be improved by amending the bylaws now?
- 4.) Does our charter give us the authority to do what may need to be done to meet our corporate responsibilities?

With respect to Board Function No. 2 (Activities, Objectives, Goals and Policy):

- 1.) What was the most recent new activity of our system? When was it begun?
- 2.) What possible new activities are now being investigated?
- 3.) Are there any activities now being performed that should be terminated?
- 4.) What are our objectives?
- 5.) What are our goals (the timetable) for accomplishments to achieve our objectives?
- 6.) Do complaints about policy relate to matters (1) about which we have no policy? or (2) wherein the policy was being properly applied? or (3) concerning instances in which the policy was not properly carried out?

With respect to Board Function No. 3 (Authority Delegations):

- 1.) Does the manager think he has the authority needed to carry out his responsibilities?
- 2.) Which directors think the manager has the authority needed to carry out his responsibilities?

3.) If there are any differences within the board or between the board and manager on this matter, what should be done about them? What should you do?

4.) Is there a list of authorities retained by the board? Should there be?

With respect to Board Function No. 4 (Employment of Manager):

1.) Is there currently any problem concerning the tenure or compensation of the manager? A foreseeable problem? What should you do?

With respect to Board Function No. 5 (Performance Review):

1.) Is the manager's performance reviewed regularly? If so, can the procedure be improved upon? If not, why not?

With respect to Board Function No. 6 (Contracts and Decisions):

1.) Within the past year, were there any questions which the board should have decided but instead informally told the manager to "do what he thought best about it" without knowing what he was going to do?

2.) Within the past year, were any decisions made by the board when no decision was required, and which later proved undesirable?

With respect to Board Function No. 7 (Employment of Consultants):

1.) Are we getting too little advice from our consultants? Or too late? What should you do?

With respect to Board Function No. 8 (Elections and Meetings):

1.) What percentage of the members attended the annual meeting in each of the last three years?

2.) Has any present director missed 2 consecutive board meetings?

With respect to Board Function No. 9 (Attitudes of Others):

1.) How many of our consumers would choose to be served by our system if they had a free choice? How do we know this?

With respect to Board Function No. 10 (Counselling the Manager):

1.) How much board meeting time is spent discussing matters concerning which the board has delegated action authority to the general manager? Is this too much? Too little? Reasonable?

With respect to Board Function No. 11 (Influencing Others):

1.) Within the past month, how many persons are there within whom I have personally created a more favorable reaction concerning our system?

On an overall basis:

1.) How many votes would I get if the voters knew all that I know about what I have and have not done?

## CHAPTER 5

### MANAGER'S FUNCTIONS AND RESPONSIBILITIES

Although the title varies from system to system, the term general manager, or manager, is used here to identify the position held by the person whom the board, in nearly all systems, expects to "run the business" on a day-to-day basis. His responsibilities and authority also vary from system to system, and even from year to year as the board and manager adjust their working relationships. In general, however, he has the most responsibility, and the most authority, of all the employees.

Most boards are likely to feel that their general manager, within the limits of human intelligence, is responsible for doing all the things that should and can be done to achieve and maintain their concept of a successful system to the extent he has the authority to do these things, and to recommend to the board what actions should be taken where he does not already have the authority to proceed. In recognition that as a practical matter no executive can be expected to "bat 1.000" on all his managerial decisions, the degree to which a particular board holds a particular manager accountable for this overall responsibility is tempered by many circumstances; but the general manager must always remember that his responsibilities extend to the outer limits of the system - what it is today, and what it will or could be like tomorrow. Only a management neophyte assumes that his responsibilities extend no further than his job description's list of stated authorities.

This overall management responsibility can be broken down, in conventional management theory, into terms of planning, organizing, directing and controlling. The general manager needs to look at his job, at what he is doing, or not doing, from the standpoints of system planning, organizing, directing and controlling. A breakdown of these categories of managerial activities is included in this chapter.

(Discussion of management functions in this chapter is not intended to imply that the board has no management activities, or that other employees have no management activities. The discussion of management theory is presented here for three reasons: First, the manager generally shares in

the board's exercise of managerial activities. For example, although traditionally policy is promulgated only by the board in rural electric systems, the board expects the manager to identify areas where new or changed policy is needed and to assist in framing that policy. Second, although a manager delegates authority to his staff, only a neophyte assumes that he can forget about a matter simply because a subordinate has been given full responsibility and authority therefor. Third, it facilitates the presentation.)

In addition to looking at his job from the standpoint of management theory, the general manager needs to look at it from a total-system standpoint. That is, is he, with his staff, planning, organizing, directing and controlling all the elements of the system -- the physical system, personnel, finances, operating activities, rates, public relations, etc. These elements, or items, can be grouped or categorized in many different ways, and the groups are frequently called Key Areas. A breakdown or grouping is included here, for the general manager should be certain that he is giving attention to all the items that are or should be a part of the system.

The third way in which a general manager should look at what he is doing and not doing is from the standpoint of cost and benefit analysis, the relating of inputs and outputs (whether intended or not) to develop costs-results ratios. The manager must continually examine activities and results, constantly asking himself whether there is a better way, a way to reduce costs or improve output or both. This is not the same thing as "controlling", which is reporting and comparing actual against expected results. Rather, this is a separate dimension in looking at the general manager's job. A breakdown of elements of this dimension is included.

The fourth dimension of the general manager's job is change. It is not enough to be aware of change. Today's manager must be aware of and measure the rate of change. What is significant today is not the mere fact of change, but change in the rate of change. For example, it is the rate of inflation, not whether there will be inflation, which is of primary concern. Every employee is expected to gain competence on the job; it is

the rate of growth which singles out the person with higher capacity, and a change in the rate of growth may be the tipoff to an incipient personnel problem.

In addition to the rate of change, and of at least equal significance, is differentiation between active and reactive change. A good manager anticipates coming changes, and prepares for them. A better manager not only reacts to changes which he can't control, but also initiates changes that result in improvements. A breakdown of these aspects of change is included.

\* \* \* \* \*

From the traditional viewpoint, a good manager is one who plans, organizes detailed procedures, assembles a staff that follows orders, and establishes control procedures to assure that activities are in accord with plans. The emphasis is on plans, standardization, routines, automation, computerization -- techniques aimed at getting everything "just right" and keeping it that way. Having decided on what is needed, the temptation then is to resist further change because change in what is working well is generally inefficient and troublesome at first even though it may be an improvement in the long run.

The general manager is just as responsible for securing change and improvement as he is responsible for efficiency in operations. He must be continuously watchful that he does not let his quest for achieving management efficiency through standardization, or his satisfaction with what is good, keep him from acting on opportunities to secure improvement.

\* \* \* \* \*

From the standpoint of the consumer, also, it is not enough for the general manager to be an efficient administrator. A service organization must consider not only how efficiently it does the things it tries to do, but whether it is doing the right things -- is it doing what it should be doing in the interests of those it serves?

If the general manager believes that his responsibility reaches throughout the system, the general manager must consider the kind of job



he is going on advising the board concerning how well the corporation is meeting its responsibilities.

\* \* \* \* \*

As presented above, the manager's job needs to be looked at in several ways, or dimensions. First, there is the dimension of management theory -- conventionally, dividing managerial activities into the categories of planning, organizing, directing and controlling. Second, there is the dimension of system items that make up the system itself -- property, activities and results -- comparable to what are frequently referred to as key areas. Third, there is the dimension of cost and benefit analysis, relating inputs to outputs in order to develop cost-results ratios. Fourth, there is the dimension of change, hopefully of change for the better.

From this viewpoint, the basic functions of the general manager are to:

1. Institute and maintain appropriate planning, organizing, directing and controlling activities throughout the system.
2. Initiate all operating activities needed to achieve the system's objectives.
3. Search constantly for improvement in the cost-results ratio of each activity.
4. Initiate desirable active and reactive changes in system activities.

## MANAGERIAL FUNCTIONS -- THE FIRST DIMENSION

1. Planning
  - A. Define objectives and goals
  - B. Establish policies and procedures
  - C. Prepare specific plans
2. Organizing
  - A. Assign responsibilities and activities
  - B. Delegate authority consistent with the responsibilities and activities
  - C. Provide resources needed to carry out the assignments
3. Directing
  - A. Instruct others to act
  - B. Train them if training is needed
  - C. Motivate them
4. Controlling
  - A. Establish standards
  - B. Establish a reporting system
  - C. Evaluate results against the standards
  - D. Make desirable changes

## GROUPS OF SYSTEM ITEMS - THE SECOND DIMENSION

1. Power Supply
  - A. Quantity
  - B. Quality
  - C. Cost
  - D. Freedom from restrictions
  - E. Future availability
  - F. Alternative sources, temporary and long-term
  
2. Transmission and Distribution Facilities
  - A. Planning - short and long range
  - B. Substations
  - C. Poles
  - D. Conductor
  - E. Transformers
  - F. Meters
  - G. Other installed facilities
  - H. Rights-of-way - legal
  - I. Rights-of-way - physical
  - J. Franchises and permits
  - K. Materials and supplies
  - L. Operation and maintenance activities
  - M. Construction costs
  - N. Operation and maintenance costs
  
3. Headquarters and Other Facilities
  - A. Locations
  - B. Buildings and grounds
  - C. Office furniture and equipment
  - D. Rolling stock
  - E. Tools and work equipment
  - F. Laboratory equipment
  - G. Communications equipment
  - H. Construction costs
  - I. Operation and maintenance activities and costs

4. Average Hours Outages per Consumer per Year
  - A. Overall average
  - B. Consumers with special needs
5. Average Hours Excessive Voltage Variations per Consumer per Year
  - A. Overall average
  - B. Consumers with special needs
6. Rates and Charges
  - A. Electric rates
  - B. Service charges
  - C. Appliance sales (if merchandising)
  - D. Appliance services
7. Sales
  - A. Existing consumers by classes
  - B. New consumers trend
  - C. Lost consumers trend
  - D. Average consumption levels
  - E. Average consumption trends
  - F. Activities and costs
8. Financial Management
  - A. Financial planning and forecasting - short and long range
  - B. TIER - times interest earned ratio
  - C. DSC - debt service coverage
  - D. Restricted maintenance fund
  - E. Reserves - level, type and income
  - F. Accounts payable
  - G. Accounts receivable
  - H. Debt financing
  - I. Net worth
  - J. Capital credits and retirements (for cooperatives)
  - K. Unusual obligations, costs or losses - actual or potential

9. Employees, and Consultants
  - A. Number
  - B. Capabilities
  - C. Morale
  - D. Productivity
  - E. Wages and benefits
  - F. Personnel rules and procedures
  - G. Contracts, agreements and precedents
  
10. Members and Board
  - A. Annual meetings
  - B. Monthly meetings
  - C. Performance
  - D. Board-manager relationships
  - E. Manager-board-member relationships
  - F. Information activities
  - G. Costs
  
11. Other Programs and Activities
  - A. Work programs and reviews
  - B. Audit program
  - C. Records and reports - adequacy, protection
  - D. Records and reports - costs
  - E. Safety
  - F. Insurance and bonds
  - G. Purchasing
  - H. Sales of property, including junk
  - I. Internal control - prevention of irregularities
  - J. Disaster planning
  - K. Articles and bylaws
  - L. Influence and image maintenance - governmental and non-governmental bodies
  - M. State, regional and national associations

## COSTS-RESULTS RATIOS - THE THIRD DIMENSION

1. Costs
2. Quantity of results
  - A. Inadequate
  - B. Excessive
  - C. Appropriate
3. Quality of results
  - A. Inadequate
  - B. Excessive
  - C. Appropriate
4. Relationships of costs to results
5. Relationships of results to costs

## CHANGE - THE FOURTH DIMENSION

1. Change in the theory of management
2. Change in system items and activities
3. Change in costs-results ratios
  - A. Change in costs
  - B. Change in results
  - C. Change in relationships
4. Change in the rate of change

## Chapter 6

## SELF-EVALUATION BY MANAGERS

Since a general manager's responsibility is system-wide, he must take the system's status and trends into account in deciding how satisfied he can be with his own performance. He must distinguish between effort and results. Like the athlete who sets a new league record in a game his team lost, a general manager's maximum effort can be deemed truly satisfactory only when the overall system results are satisfactory. Also, even the super-star is likely to be traded if the team can't post a satisfactory won-lost record. Hence a general manager, in reviewing his performance, needs to take system status and trends into account, both from his personal welfare standpoint, and because he inherently can be satisfied with nothing less than a healthy, strong system.

Since most rural electric systems, however, are in at least a reasonably good condition, most general managers are more concerned with finding an evaluation procedure which will help him identify those aspects of his performance which can be improved, than in simply measuring performance. Like other professionals, he is continually trying to do better.

As pointed out in the preface, this project attempts to assemble questions that a member of the management team can ask himself about his performance, and which, if faced up to squarely, will identify the performance aspects which should be improved - and in at least some cases, provide answers that may point out the action that should be taken to improve performance.

This project suggests that the general manager who is looking for ways to increase his effectiveness, examine his job performance one dimension at a time, one question at a time. He can decide, then, for himself, whether he is doing as a manager those things which managers in all lines of activity have found desirable; whether he is neglecting some part of the system whether he is getting the information and maintaining the attitude which enables a manager to identify the things that need to be changed; and whether he is running the business or merely running to keep up with wherever the business is headed.

The general manager using these questions should remember, as previously pointed out, there are not very many specific "right answers" applicable to all and each of a thousand electric systems. But a negative response to one of these questions by a manager evaluating his performance may identify an area where change is desirable, or even suggest in a general way the type of change that should be considered.

With respect to the First Dimension (Managerial Functions):

#### PLANNING

- 1.) If your system has a written statement of objectives and goals, can you produce a copy of it in 10 seconds in your office? Can you, without looking at it, state its substance? If not, why not?
- 2.) What are the policies you expect your subordinates to be applying? Now ask the subordinates to state the policies; do their statements agree with what you said? If not, why not?
- 3.) What specific plans, forecasts, or budgets would you have if you didn't have to do any work to get them or make the decisions needed to prepare them? Why do you, truly, not now have such plans?
- 4.) Are you or your own staff now preparing any plan whose preparation or use does not warrant the cost of its preparation? If so, should the plan be eliminated, or be used differently?

#### ORGANIZING

- 1.) Do your subordinates' statements of their responsibilities agree with yours? If not, why not? How about their subordinates?
- 2.) Do your subordinates feel their authority is consistent with their responsibilities? Are you sure you really know how they feel on this point? How about their subordinates?

#### DIRECTING

- 1.) In what ways are any of your employees inadequate? What training would be helpful? Are you providing it? If not, why not?
- 2.) In general, what do you think motivates employees to consistently do well? In practice, how do you motivate your employees? How does your practice differ from your theory? Why?



CONTROLLING

- 1.) What standards are being used in your system? (Be sure to get all your subordinates and supervisors to answer this question too. It is likely they are applying standards you do not know about, and which they may not even recognize as such.) Are they all right? What others are needed?
- 2.) Does your reporting system give you information that enables you to compare results with standards?
- 3.) Are changes made when results fall short of standards? If standards are being exceeded, should a change be made?

With respect to the Second Dimension (Groups of System Items):

With respect to each item:

- 1.) What should be the situation?
- 2.) Is it the way it should be? If not, why not?

With respect to the Third Dimension (Costs-Results Ratios):

- 1.) In general, the manager wants to know: How can we do everything that needs to be done, with the best combination of quality-of-performance and cost? To get the answer to this question, he asks:

First, are we doing everything that needs to be done with respect to each system item, with at least an adequate performance?

Second and serially with respect to individual activities:

- A. Are we doing anything that does not need to be done, the elimination of which might help in reducing costs without a disproportionate loss?
- B. Are we doing any unnecessary activity at an unnecessarily high quality-of-performance level, a lessening of which might help in reducing costs without a disproportionate loss?
- C. Is there any necessary activity which can be done differently so as to reduce overall costs while maintaining the same or higher quality-of-performance?

D. Is there any activity which can be done differently so as to achieve better performance without a disproportionate increase in costs?

2.) Do you really know how costs are allocated by the accountant to various expense accounts? As between capital and operating expense accounts?

3.) From your records, identify the cost of some particular activity. Prepare a verbal detailed description of the various items which you believe make up that cost. Now ask your accountant to do the same two things. If they differ, what needs to be changed?

With respect to the Fourth Dimension (Change):

1.) Am I doing as much as I think I should be doing to keep current with the changes that are taking place in the utility business?

2.) What are the changes which are taking place, and to which I must adjust?

3.) What are the changes which I am trying to initiate and carry through?

Basis Paper

If an organization desires to set objectives and goals, the Basis Paper is a useful tool. If a clear majority of members hold a positive view of the organization, planning work may begin with the Basis Paper. However, if a clear majority are not committed to the organization and its values, then it is best to begin work with the dream trip or the historicizing process.

The Basis Paper is particularly useful to an organization:

In beginning new programs or projects . . . .

- a) checks for consensus (or lack of it)
- b) forces goal conflicts to the surface
- c) establishes foundation points for the program
- d) sets a framework for quick communication

In checking existing programs . . . .

- a) provides method to see if objectives remain the same as when program started
- b) tests effectiveness of program
- c) suggests possible modifications

And for you as leader, it : . . .

- a) helps you think through possible new directions
- b) helps to develop commitment to new possibilities
- c) as pre-meeting device:
  - (1) helps you anticipate disagreements and conflicts
  - (2) helps you put your own thoughts in order

The Basis Paper follows a five step development:

- 1. Subject
- 2. Assumptions
- 3. Need Statement
- 4. Objectives
- 5. Goals

1. Subject. This may be:

- a) The best possibility from the dream trip or the future direction statement in the historicizing processes or,
- b) The specific subject or concern which the organization wishes to consider.

(NOTE: This tool is also useful for individual consideration of a subject or concern.)

The subject will be written as a noun phrase (never a preposition) and, if a best possibility, may appear verbatim. If a specific subject or concern, the statement should be re-written until it correctly and precisely states the specific subject or concern. Once done, the members are ready to move on to assumptions.

2. Assumptions are statements of fact, opinion about the above subject which the organization through its individual members, believes to be true.

Procedure

- a) Members "brainstorm" about the subject.
- b) Brainstorming statements are recorded verbatim, and without discussion on newsprint under the subject.

NOTE: Encourage voicing statements which come to mind but appear at first unrelated. (If they come to mind, they are somehow related) and if conflicting assumptions arise, record both.

NOTE: As assumptions are developed, it may become obvious the subject needs changing. Do so, and then continue with the process.

3. Need Statement are statements of concern based on the subject and covering the assumptions or statements developed in the preceding alternative.

Procedure

- a) Each member prepares a statement which begins "Based on what we've just said, there is a need...", completing it using material contained in the assumptions.
- b) The leader works with the group to synthesize the individual statements, coming up with a statement acceptable to all. It may be the same as or similar to the subject (best possibility), or it may be completely different. This is recorded on newsprint immediately following the assumptions (or alternative statements).

4. Objectives are the synthesis of dreams about the future and assumptions based on the past. Commitment by individuals, and by individuals to organizations, is always in terms of objectives, and objectives, when developed, provide the true measure of the authenticity of a person or organization.

Objectives are nouns, the end product, the achievable, static condition in which the desired result has been realized. An organization therefore cannot "do" an objective for an objective is the result accomplished. Objectives provide a method for beginning to move the membership in the direction they want to go.

An objective is most often a re-statement of the issue but may, on occasion, be an even further refinement of the assumptional material, based on the subject.

Procedure

- a) Each is asked to study the subject, assumptions and the issue(s) and to develop a statement beginning "Our objective is a condition in which..."  
Remember: The objective is the desired result achieved. If you can "do" the objective, it is incorrectly stated. (Example: "Our objective is a condition in which we visit the zoo" is incorrect. "Our objective is a condition in which we have visited the zoo" is correct.)

- b) The leader works with the group to synthesize the objective statement(s) and when completed, these are listed on the newsprint following the issue(s).
5. Goals are the mid-points or major steps whose achievement will lead to or result in the achievement of the objective. They are stated in the past tense as the point achieved (thus differentiating them from program) and thus it is also impossible to "do" them. (Example: If "our objective is a condition in which we have spent ten days in Paris," goals will be such as the major cities enroute.)

Goals keep the organization on track toward its objective(s) and enables members to experience achievement.

Procedure

- a) Divide the organization into groups of eight; ten, each small group having a trained leader.
- b) Each small group develops a series of goals for reaching the objective.
- c) Each small group shares its goals with the rest of the membership.
- d) The organizational membership works to synthesize the separate sets of goals which will meet the approval of all.

Having developed a basis paper, the organization is now ready to develop strategies and programming to meet the goal(s) and, ultimately, to achieve the objective(s).

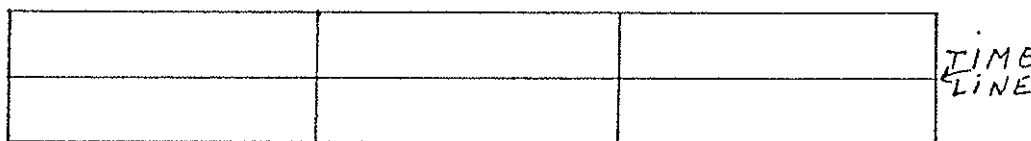
Historicizing

This tool is recommended as an aid to groups wishing to evaluate the past, to touch basic values, and to establish new directions. It is a tool useful in several ways, depending upon the needs of the group and the time constraints involved.

A. If a group is collectively below 2.5 on the doubt scale and the organization has a history of 5 years or more, historicizing can be used.

1. Divide the organization into groups of 5 to 7 and give each small group three sheets of newsprint to be taped together lengthwise and a line drawn down the center of the connected pages:

EXAMPLE:



2. Each small group is to list, on the line, historically decisive events, positive or negative, beginning with the present and working backward. (An historically decisive event is one which left an impression on people, changed the organization, etc.) This is to be done without reference to minutes, books, pamphlets, etc...  
NOTE: Expect disagreement as to dates or perceptions of these events but urge the small groups to seek at least a minimum of consensus as to which events they perceive to be historically decisive.

3. When each small group is finished, reassemble all the participants and have each small group report their list of perceived events.

NO BREAKS PERMITTED UNTIL THIS POINT

4. With all participants assembled, develop from the history statements about the meaning of that history. These statements are to be recorded on newsprint verbatim and without comment. A useful format in aiding a group to develop meaning statements is a question such as:

"What meaning do these events, taken together, have for us and our organization".

Examples of responses:

"Change has continually affected our organization".

"When new leaders are chosen, we have anxiety in the organization".

IF A SHORT BREAK IS NEEDED, IT CAN COME HERE.

5. Divide back into the small groups, asking each small group to select a meaning statement which it wishes to pursue further.
6. When each small group has selected a statement, ask that they spend 10 minutes brainstorming and listing without discussion the most negative consequences anytime, anyplace if the meaning selected is continued into the future of the organization. Then without a break.....
7. Ask each small group to spend 10 minutes brainstorming and listing, without discussion, the best possibilities, anytime, anyplace, if the meaning is continued into the future of the organization.

CAN BREAK HERE IF NECESSARY

8. Each individual is then asked to list five best possibilities and/or reversed negative consequences (i.e., reversed so as to read as a best possibility) as directions they would like the organization to take.
9. Each individual shares his/her list with the others in his/her small group and each small group develops from these a list of five to seven future directions. These directions are to be stated in the future tense (i.e., "In the future our organization will....")
10. Reconvene all participants and have each small group share its proposed future directions with the others.
11. Take the 5 to 7 directional statements of each of the small groups, place them all together and letter them alphabetically, A,B,C,D, etc.
12. Next, pass out to each participant a sheet containing the following:

INSTRUCTIONS: On newsprint are listed the directional statements developed by you and your colleagues. Now, please score each statement using the scale provided. The letters below stand for the statements. Your score goes in the space to the left of the lettered statement.

<u>SCORE</u>	<u>DIRECTIONAL STATEMENT</u>	<u>SCORE</u>	<u>DIRECTIONAL STATEMENT</u>	<u>SCORE</u>	<u>DIRECTIONAL STATEMENT</u>
_____	A	_____	Z	_____	ZZ
_____	B	_____	AA	_____	AAA
_____	C	_____	BB	_____	BBB

Explain that you want each participant to score each of the directional statements using the following scale;

- 1 - - - if it is an absolute must for our future
- 2 - - - if it would be a very good idea for our future
- 3 - - - if it would be helpful to have in our future
- 4 - - - if you have no opinion as to its value in our future
- 5 - - - if it would not help matters in our future
- 6 - - - if it would be bad for our future
- 7 - - - if it would lead to disaster in our future

13. Take up the sheets from each member --  
Here is an excellent place for a break of 30 minutes to an hour--  
or for lunch, etc.

and total scoring for each directional statement and divide by the number of participants. Then number each of the statements according to its priority (giving the one with the lowest score #1, and so on). Place these in front of the participants when you reconvene.

14. The total group has now selected and prioritized the directional statements. Any of these which fall below 3.7, (which is bordering on a vote of "no opinion") should be discarded.
15. Divide into small groups again, ask each group to select one of the statements and to proceed as outlined in the Basis Paper, using the selected statement as the subject of the paper.
- B. If a group is collectively above 2.5 on the doubt scale (i.e., its norms are being questioned), and if new directions are desired in only a limited area, that area may be historicized. Begin by having the group as a whole list the historically decisive events relative to the limited area in question. Then turn to step 4 in A. and continue.
- C. If time is very limited and the group desires to examine its past, simply have the members "tell the story" of the group, expanding upon the historically decisive events in narrative fashion.



1. NO DOUBT

DOWN GRID

X DEVIATIONS

2. X OPERATIONAL DOUBT

3. X IDEOLOGICAL DOUBT

4. X ETHICAL DOUBT

5. X ABSOLUTE DOUBT

REASON

JUSTIFICATION

LIES

DECISION -- X

UP GRID

ORGANIZATION -- X

BUDGET -- X

POLICY -- X

PROGRAM -- X

PRELIMINARY DECISION X

GOAL -- X

OBJECTIVE -- X

ASSUMPTIONS -- X

DREAMS -- X

FANTASY X

WE BELIEVE:

- \* *That the individual citizen, whether in rural or urban America, can and will achieve a sense of personal pride, self-accomplishment and family security if he is given a real opportunity to participate in social, economic and political activities as a free and equal citizen.*
- \* *That this nation's human, physical and financial resources must be developed and utilized to the maximum extent possible, and that this productive resource development should result in maximum benefit for all citizens, without regard to religion, race, creed, social or economic circumstances.*
- \* *That the development of the potential of rural America and the utilization of its assets will make a major contribution to the welfare of the nation and the world.*
- \* *That the principles of cooperative enterprise embody the freedoms and inalienable rights granted by the Laws of the Commonwealth of Pennsylvania and the Constitution of the United States, and are consistent with the highest ideals of the free enterprise system.*
- \* *That Adams Electric Cooperative has major responsibilities for helping to raise the standard of living, and for improving the productivity and opportunity for economic prosperity, in an ever-changing rural Pennsylvania and rural America.*

ADAMS ELECTRIC COOPERATIVE, INC.

Statement of Objectives

CORPORATE EXISTENCE

Objective: To insure the continued existence of the Cooperative as a viable servant of its member-owners.

ADAMS ELECTRIC COOPERATIVE WILL--

1. Promote involvement of its members, directors and employees in non-partisan political activities.
2. Maintain a patronage capital policy which permits orderly retirement of capital credits and enables the Cooperative to meet its other financial requirements and objectives.
3. Assume a leadership role in working with other Cooperatives such as PREA, NRECA, Allegheny, MDM Groups, etc.
4. Pursue until successfully obtained, a legally-described and protected service territory.

ELECTRIC SERVICE

Objective: To accept total responsibility for electric service in its area at the lowest possible rates consistent with sound business practices and Cooperative objectives.

ADAMS ELECTRIC COOPERATIVE WILL--

1. Continually seek a level of service quality that insures continuity, reliability and adequacy to the highest feasible degree.
2. Maintain rates that are as low as possible, consistent with good business practices and the Cooperative's other objectives.
3. Intensify efforts to impress upon the members the responsibilities in supporting the Cooperative.

POWER SUPPLY

Objective: To assure adequate, dependable low-cost sources of electric energy within environmental and ecological criteria.

ADAMS ELECTRIC COOPERATIVE WILL--

1. Pursue a course of action which leads to large-scale generation and/or transmission facilities owned and operated by Allegheny Electric Cooperative and its member systems.
2. Apply unrelenting pressure to continually strengthen Allegheny Electric Cooperative's ability to secure abundant, dependable, low-cost electric energy through present wholesale sources.

3. Actively assist Allegheny Electric Cooperative secure the financing necessary to achieve its generation and transmission objectives.
4. Educate the Cooperative's membership in the critical need for self-owned generation and transmission facilities.

#### CAPITAL

Objective: To continuously seek sources of low-cost capital and to use the financial resources of the Cooperative in the most efficient manner.

#### ADAMS ELECTRIC COOPERATIVE WILL--

1. Pursue those goals which strengthen the abilities of CFC, REA and other related lending institutions to meet the Cooperative's long-term needs for capital at the lowest possible rates of interest.
2. Continually review investments of patronage capital and other available funds to insure the most productive use of the Cooperative's financial resources.

#### POWER USE

Objective: To promote use of electric energy as a key element in raising rural living standards and accomplishing rural area development and to promote uses which improve system operating characteristics.

#### ADAMS ELECTRIC COOPERATIVE WILL--

1. Seek a balanced system loading pattern which minimizes peaks and valleys in power usage.
2. Participate in activities which promote more efficient use of electric energy.
3. Develop activities which utilize electric service to promote rural area development.

#### COOPERATIVE OWNERSHIP & MEMBER RELATIONS

Objective: To seek complete understanding, participation and involvement of members in affairs and activities of the Cooperative, and utilize Cooperative principles to meet their needs,

#### ADAMS ELECTRIC COOPERATIVE WILL--

1. Educate members in Cooperative philosophy and principles.
2. Enlighten members in the needs and problems of Adams Electric Cooperative.
3. Develop a cadre of members who are knowledgeable of Cooperative involvement in Adams Electric Cooperative programs,

## CORPORATE IMAGE

Objective: To seek public understanding, acceptance and support of the work of rural electric cooperatives.

### ADAMS ELECTRIC COOPERATIVE WILL--

1. Inform the public of Cooperative activities and the value to the community.
2. Promote youth activities.
3. Seek public acceptance of territorial legislation.

## ORGANIZATION

Objective: To provide the organizational structure that will permit the management staff, supervisors and employees to function as an effective team and attain maximum use of all Cooperative resources-- manpower, money, material and equipment.

### ADAMS ELECTRIC COOPERATIVE WILL--

1. Continually evaluate the structures and resources of the Cooperative to assume an efficient and responsive organization.
2. Encourage participation in training programs.
3. Maintain current knowledge of the needs and progress of rural electrification by participation in State, Regional and National Meetings, Seminars and conferences.

## AREA DEVELOPMENT

Objective: To provide leadership and active support for programs which are for the betterment of the people in the counties in which the Cooperative serves.

### ADAMS ELECTRIC COOPERATIVE WILL--

1. Publicize and provide leadership to interpret The Rural Development Act of 1972.
2. Seek membership on regional planning boards.
3. Help develop the Cooperative's service area by participating in, providing leadership for and initiating services for low-cost housing, central water and sewerage facilities, industrial development, establishment of medical centers, etc.

## EMPLOYEE RELATIONS & DEVELOPMENT

Objective: To provide a working environment wherein each employee seeks to enhance the success of the Cooperative in achieving its objectives, while providing all employees with an opportunity for personal satisfaction, growth and advancement.

### ADAMS ELECTRIC COOPERATIVE WILL--

1. Develop a good communications program among the employees, staff and Board.
2. Provide training opportunities which enable employees and staff achieve their full potential in knowledge, skill and ability.

## BOARD DEVELOPMENT AND PERFORMANCE

Objective: To provide directors with opportunities to gain the knowledge and develop the skills necessary for them to function as member-elected representatives responsible for the ongoing progress and success of the Cooperative.

### ADAMS ELECTRIC COOPERATIVE WILL--

1. Develop each individual director through training sessions, institutes, conventions, National, Regional, State and local meetings and through the use of other resource materials.
2. Provide an appraisal form and procedure whereby each director can evaluate his own personal performance, as well as the performance of the Board as a body.

## ELECTRIC SERVICE

OBJECTIVE: To accept total responsibility for electric service in its area at the lowest possible rates consistent with sound business practices and Cooperative objectives.

### GOALS:

1. Continually seek a level of service quality that insures continuity, reliability and adequacy to the highest feasible degree.
2. Maintain rates that are as low as possible, consistent with good business practices and the Cooperative's other objectives.
3. Intensify efforts to impress upon the member the responsibilities in supporting the Cooperative.

## PLAN OF ACTION

1. Maintain a good working relationship with Allegheny and power suppliers.
2. Attend and participate in Allegheny Board Meetings.
3. Coordinate all long range planning (transmission) with Allegheny.
4. Optimize facilities to obtain best load factor and power factor so that best possible rates can be obtained.
5. Continue with experimental S.S. magnetic tape recording to develop more accurate load patterns and consumption. This data will be used in future rate negotiations.
6. Work and communicate with local, state and federal environmental agencies and make a survey to determine what environmental committees exist and where they are located.
7. Start collecting information and material on facts about nuclear generation which can be used for informing the AEC members and the public.
8. Continue a leadership role in VOAM standards committee and group purchasing and encourage expanding purchases of other materials, tools and equipment.
9. Continue inventory control and start shipping more material directly to the Districts' storerooms where District Managers will be responsible for the inventory in their district.
10. Improve the format of the two year engineering work plan, and coordinate it with District Managers to correct circuit diagrams, conductor sizes, loading data for voltage drop studies.
11. Prepare a detailed analysis of cost of U.G. and consider using it as a standard.
12. Experiment with plowing in underground electric wires.

13. Study the economics and feasibility of using armless construction.
14. Develop a good workable system of forecasting material needs by District Manager.
15. Develop a continuing right-of-way maintenance program and log the work to be done as a part of the control procedure.
16. Develop a maintenance program for special equipment, substations and vehicles.
17. Develop and initiate a line inspection program.
18. Re-map the AEC system which includes a new line and pole numbering system.
19. Complete sectionalizing field work (staking & construction) in accordance with completed studies.
20. Complete sectionalizing study on Pinola area.
21. Continue system improvements in accordance with the two year work plan.
22. Prepare PERT charts on system improvements by Districts.
23. Analyze problem areas where steel and 8A conductor exist and coordinate change-out with District Managers.
24. Make a study to show where capacitors are needed on the system and make installations as needed.
25. Through educational meetings and PENN LINES inform members of their responsibilities (reporting fallen trees, broken poles, right-of-way, etc.)
26. Continue to provide technical advice for members on wiring, heat loss and heat gain, lighting recommendations, etc.
27. Develop all hour dispatching.



POWER SUPPLY

Ranked number two in priority.

BLOCKS THAT COULD STAND IN WAY OF REACHING GOALS

1. Money.
2. Lack of knowledge on part of members; probably don't know we do not generate own electricity.
3. Environmental roadblocks.
4. Electric size and geographic location.
5. Lack of single purpose of cooperatives throughout the state (in respect to Allegheny).
6. Inadequacy of existing power suppliers facilities.
7. Investor-owned power supply fighting us.
8. Rising costs of energy sources.
9. Rising cost of money.
10. Lack of statewide G & T planning.
11. Lack of territorial protection.
12. No communications effort (concentrated).
13. Apathy of state and federal political leaders.
14. Duplication of facilities.
15. PUC controlled by utilities.
16. Lack of qualified personnel in these areas.

END OF 1974 WE HOPE TO HAVE ACCOMPLISHED

1. Territorial protection.
2. Exercise complete control of power supply.

BEFORE WE HAVE ACHIEVED THESE RESULTS WE WILL HAVE DONE

<u>POWER SUPPLY</u>	<u>BY WHEN</u>	<u>BY WHOM</u>
1. Long-range power requirements study.	1/1/74	Lloyd
2. Pursue participation in generation facilities.	1/1/74	Lloyd
3. Gain acceptance from IOU's of joint transmission ownership.	12/31/74	Lloyd
4. Exert active leadership role in Allegheny.	9/1/73	Mr. Horn

## STRATEGIC PLANNING

~~Yesterday~~, Wayne and Lloyd presented some of the tools and techniques we use at Adams Electric for developing objectives, setting goals, structuring jobs, stimulating group action and working with our membership. I'll admit there is probably little really new in these mechanisms; however, putting them together in a logical, results-oriented sequence has been an interesting and productive experience for all of us.

My comments this morning will address three primary points: First, how we came to use this kind of planning; Second, what has happened during the year we've been involved in it; and, Third, to what conclusion will it be drawn. The first two are relatively easy to tackle because we have the track record behind us. The third is something else entirely, because I'm not at all sure total closure can occur. What we perceive today as the point of closure may well be something quite different from what actually develops.

Our original objective was greater infusion of Management-By-Objectives principles in our organization. Our initial goal was greater understanding and acceptance of annual work plan goals through maximum involvement of people in basic work planning and goal-setting. The evolution that has occurred, however, is carrying us much beyond the limited scope of one year and into the realm of strategic planning for much longer periods of time. Involvement has caused us to take careful measure of the interpersonal relationships within our organization. And, out of it all is coming what is for us a new concept of leadership within the organization.

In 1971 and 1972, we developed the first truly comprehensive annual work plans in the history of Adams Electric. These plans covered every facet of our operation, beginning with a review and restatement of organizational beliefs and long-range objectives. We tied down specific goals

for the whole gamut of Key Performance Areas---Electric Service, Power Supply, Corporate Existence, Member Ownership and Relations, etc. And, we set for ourselves a number of goal standards by which we could measure our performance and progress.

The entire management staff participated. They presented recommendations, which were as usual beyond the total financial capability of the organization when assembled into combined programs of work. Then, we sat down with each individual and pored his wants to use our available resources in the most critical areas of need. Even so, we had difficulty relating individuals to organizational goals---each district and department manager readily accepted personal goals but tended to put on the blinders with respect to the activities of other organizational units. I knew something had to occur to bring them all together in a team effort, still maintaining the personal satisfaction of achieving individual goals.

For seven months in 1970-71, I was associated with a home-building outfit in Tennessee. That organization used a little device called the AVA personality profile in selecting its personnel. Such a profile was done on me and I was quite surprised at how well the personnel director was able to peg me without ever having known me at all. In my position as general manager of Adams Electric, I began to wonder if such profile analyses might be useful in my own working relationships with my staff.

Charlie Weaver and I brainstormed the idea one day. It developed he was not only familiar with such profiles but trained in administering and analyzing them. And, having worked with Adams Electric in a management audit some years earlier, he was quite aware of the people involved. The upshot of it all was a decision to do a profile on each of our staff members and the general manager; then, to arrange for a group comparative analysis as to how

our personalities and perceptions of our individual roles either enabled or inhibited our abilities to work together as a management team.

Charlie came into our shop and put us through a battery of tests, including: Kuder Preference, Thurstone Temperament, Cardall Practical and Emphatic Judgement, Watson-Glaser Critical Thinking and MRA (E-3). Since interpersonal relationships don't stop with the general manager and his staff, we included several key department staff people; however, we reserved any comparative analysis for the department heads and their particular staffs.

In the quiet sanctuary of 2000 Florida Avenue, N. W., Charlie merged the test results into individual, written profiles. Later, he met with each person and reviewed his findings---making sure his analyses were on target. Then, he made a guinea pig out of the general manager! In an assemblage of the management staff, he reviewed my profile.

He cited specific examples concerning what makes me tick and how my actions would likely be received and acted upon by individuals around the table. By the same token, he gently explored how their actions would probably be received by me. And, for the first time, some of the frustrations, confusion, inabilities in communication and likenesses began to take shape with reason.

(1) For purposes of example, I have pulled the results on the MRA (E-3) profiles. It is graphic and the differences are poignantly obvious. Further, this test examines an individual's ascendancy in leadership, need for social contact, desire for stability and need for clear-cut working guidelines.

Some of our findings were:

1. Differences between role perception and inner feelings.
2. Likenesses in role perception and inner feelings.
3. What happens and how it is transmitted and received in antagonistic

and/or critical situations.

4. Knowing oneself is the first step toward improving personal relationships with others.

Charlie's written analyses covered the general personalities of each of our people. He zeroed in on things like assumption of responsibility, planning, decision-making, delegation, ability to handle details, need for supervision, supervision of others and motivation. If any of you are interested, I'll be happy to share with you his personal analysis of me so you can gain some idea of the depth to which he went.

FEW  
COPIES  
REMAINING  
TOP-LEVEL  
PERSONNEL

The obvious question at this point is: How do you achieve honest, open working relationships between people who are so different? Each is a strong, independent individual, with critical personal needs and desires. I'll never forget one of Charlie's statements to us: "With a staff this strong, you cannot always expect the waters to be calm! Conflicts and differences of opinion are inevitable. And, when things run smoothly over an extended period of time, your general manager is more than apt to stir them up because he wants you thinking, considering alternatives and finding new avenues of service."

The first step in teaming any group is the recognition of likenesses and differences which exist within the group. Charlie accomplished this with us and set us to seeking tools and techniques that would bring us together, at least in some semblance of order and responsibility! Then, in June of last year, I was involved in planning the 1973 Coopsmanship Conference. A three-person team from an organization called Management Design, Incorporated, (MDI, for short), led the group through the planning exercise and introduced me to what I considered a rather unique combination of planning exercises. In a matter of a couple of days, we developed objectives and goals for the

conference, planned the strategy, put a framework together for training those who would lead the conference and ironed-out details like when and where and what.

~~Knowing~~ <sup>T</sup> the summer of 1973 was a time for our board of directors to review our beliefs and long-range objectives; <sup>SO,</sup> I discussed the review process with the folks from MDI. We obtained board approval to use MDI and there our working relationships began. We looked at a lot of things together---the power cycle and how it works in an organization, another testing mechanism to develop how we relate with each other, and developing skills within our people to use effective planning tools and techniques. You are familiar with the power cycle; however, I want to look at it a moment as to how it relates to individuals in an organization:

1. Each organization has (or should have) people who are evaluators, <sup>EXTENDS INTUITIVES</sup> recommenders, <sup>GENERATES</sup> deciders and doers. <sup>JUDGERS</sup>

2. Input into organizational activity can occur at any point in the cycle; however, for the activity to be meaningful and measurable, the other facets of the cycle must follow in some semblance of order.

3. The balance of an organization depends on how well the individuals in it fulfill their own roles and honor the roles of others.

MDI uses the Meyers-Briggs profile analysis for individual perception of needs. In our case, this profile served largely to confirm and translate into different terms the testing Charlie Weaver did for us. We looked at interpretations of personality facets in terms of how we come across in the planning and activity relationships we share with each other. From this point, we have begun trying to do something about our teaming efforts, our planning concepts and our strategies.

Staff department heads are functioning with the district managers in

operating situations. It hasn't been completely easy because in virtually every team grouping, a goodly portion of the initial meetings has been spent in BREAKING DOWN COMMUNICATIONS BARRIERS, ~~airing differences and solving communications difficulties.~~ Feedback from both district managers and one staff manager in one situation was virtually the same: We spent an hour-and-a-half breaking down the walls and, then, we really began getting some things done. In each case, we have used the tools and techniques to maintain a sense of purpose and order within the meetings.

Teams develop overall recommendations and/or plans of action, which are then presented to the entire management staff for consideration, comment and possible change. And, our management staff meetings are getting better with each passing one---it has been a true revelation to see people opening up, saying what's on their minds and sharing with each other.

Although we're only four months into 1974, some serious questions of applicability to objectives and goals have arisen concerning the work plans for this year. We are beginning to see that our incremental, one-year method of overall work planning is limiting our perspectives---that although most cooperatives accept long-range engineering and financial projection as necessary, few, including our own, have done much toward strategifying survival of their systems, member participation and relations, public relations, area development and other even less tangible facets of our operations. And, we suspect that traditional approaches to budgeting and leadership will give way to entirely different concepts.

In most business organizations, accounting and budgeting are treated exactly the same. Accounting is the track record, a picture of what has happened in the past---budgeting is merely an extrapolation into the future of financial trends from the past. When, in fact, these two are not one and the same. Look with me at the differences between the two:

① Accounting is past-oriented and budgetting is future-oriented--both are valid but they are different.

② Accounting attempts to conserve resources; whereas, budgetting is a means of spending resources in the most creative manner possible.

③ There is little flexibility in accounting---budgetting must provide for flexibility through periodic review, evaluation and reallocation of resources.

④ Accounting directs concentration of resources in specific areas-- budgetting permits allocation of resources to be concentrated where opportunity exists.

⑤ Accounting controls the leadership of an organization--budgetting permits leadership to exercise control over expenditures of resources.

⑥ The last place to start developing a budget is by extending from last year's figures--budgetting must consider the longer-range objectives and goals of the organization and allocate resources accordingly.

These considerations are leading us toward something called "Goal-Oriented Budgetting." It is a process which enables leadership to concentrate and focus the resources of the organization on the achievement of its goals. It develops periodic measuring points, at the end of which accomplishment toward goals can be reviewed in terms of resources actually used and results achieved, conditions which may change the goals, and resources remaining to accomplish the desired end results. A grid-picture of the process might look something very simply like this:

	5/31/74	5/31/75	5/31/76
TIME			
COST			
RESULTS			



A similar grid can then be developed for periods within a year. But, in both cases, leadership of the organization is forced to look at what was planned, what was spent and what was accomplished on a regular, periodic basis.

Realizing that people are different, and each person has a contribution to make within an organization from his or her point of reference, the kind of leadership within the organization will determine whether that contribution will move within the framework of management-by-objectives and true budget-<sup>FUTURE-RELATED</sup>ting. I now refer you back to the power cycle and how it functions under the various styles of leadership historic to our business world:

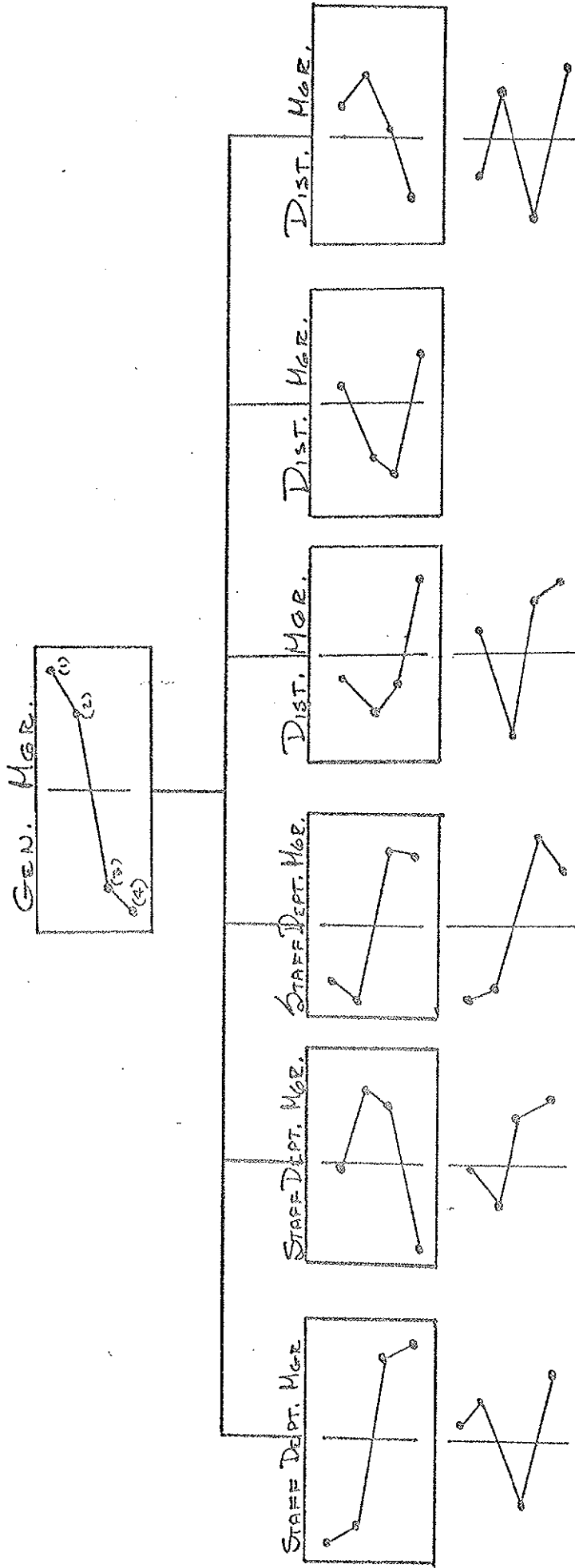
(Refer to "Leadership Styles" flipsheet.)

We see the fifth style truly on the emergence in our organization.

Perhaps it is in deference to my own personality and needs, so that I can be involved in many projects both within and without our own organization. However, I see it as a means not only of insuring the stability and operational efficiency of our organization toward our objectives and goals, but also as a means of permitting us to have some influence over the outside factors which to a growing extent are governing the paths we must follow.

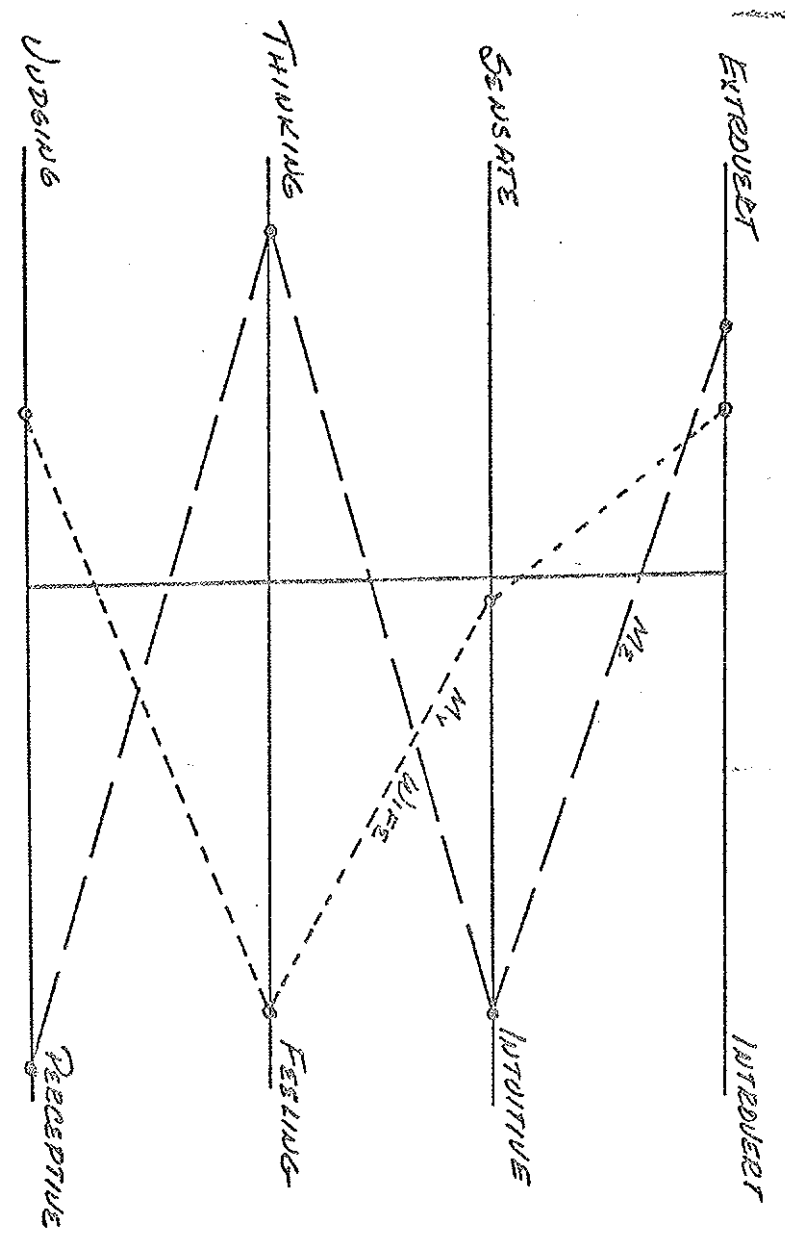
I would be less than honest if I didn't admit that we have much remaining to do. However, I also believe that through honest evaluation of ourselves and our relationships with each other, learning and experiencing the use of effective planning tools and techniques, and planning how we work together to accomplish strategic future goals, we are building an effective management team.

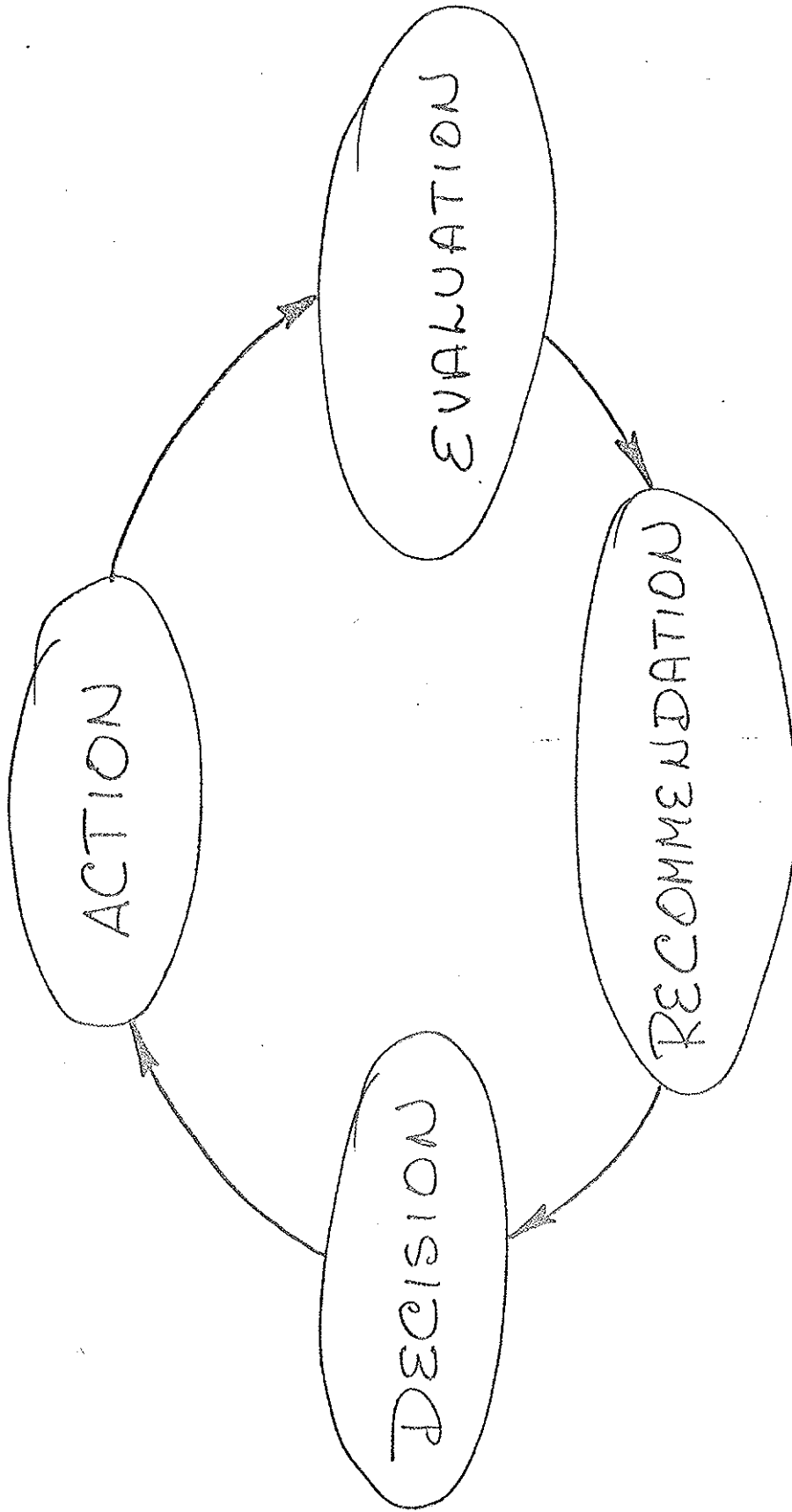
MRA PERSONALITY PROFILES  
 Adams Electric Co-op Staff



- EXPLANATORY NOTES:
1. Where two profiles are shown, the one in the box is the way the job is seen and the one below is the individual as he sees himself. Position of a dot with reference to the centerline is an indication of degree of importance---close to the line means the individual can function to some extent both ways.
  2. Explanation of the dots:
    - (1) Ascendency, dominance in antagonistic situations.
    - (2) Sociability, need for wide circle of friends, leadership in social situations.
    - (3) Liking for stability and contentment, calmness.
    - (4) Compliance, liking for accuracy and precision.

MEYERS-BRIGGS PROFILE

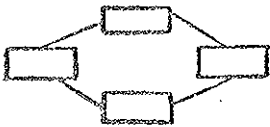
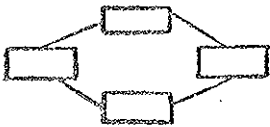


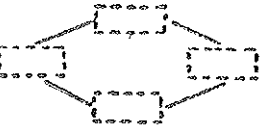




## Power Cycle


# LEADERSHIP STYLES

-- Rensis Likert (University of Michigan) has developed four descriptive styles:

<u>STYLE</u>	<u>AUTHORITY</u>		<u>ROLE</u>
1. Authoritarian	of self		Retains all four roles to self
2. Authoritative	of office		Retains four roles -- may share DOER
3. Consultative	shares with group		Shares: EVALUATOR and RECOMMENDER Retains: DECIDER and DOER
4. Participative	of group		Shares all four roles

A Fifth Style has emerged:

5. Enabling	of group		May share all four or assume NONE. Functions as catalyst to insure all four roles function and that CYCLE operates.
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[Retains: 

[Shares: 

-- How would you describe leadership styles you see around you?

QUESTIONS AND COMMENTS ON "A SCIENTIFIC APPROACH TO PLANNING" AND  
"STRATEGIC PLANNING" PRESENTATIONS

Question

Elwood Blackwell: Did you say you met with the board in the MDI session for all day?

Answer

Lloyd Geer: Yes we did. That was the first step. The committee came in and met with the board to review the overall objectives and to see if there were some that needed to be changed. Wayne was involved in that, weren't you, Wayne?

Wayne Kump: Yes, as staff manager I worked with all system employees in taking a look at our present objectives and we made some changes, employees at every level had input. Then we came back and went before the board with a full base planning session. It was a real pleasure working with the board. I was one of the facilitators. To see the board take areas and say, "Well, what should this cooperative do on this?", and some would say, "Stay out of that area-that belongs to management." Now the board wanted to see some different things happen, but they were very careful in their sessions, that anything they said did not tie management down to say the way they had to do it, the manpower or other things needed. It was a real pleasure to see them work this way. They gave us broad statements and we were wide open as to the way we wanted to approach getting the results they wanted.

Geer: It is interesting to note that our employees who were working out the overall plan of action didn't have too much difficulty in agreeing to broad concepts. When we left the first session, we pretty much had everybody in agreement with what we talked about and planned to do. But then when we came back with the specific plan of action, the details of what had to be done, that's where we got into controversy and disagreement among the people. We just had to hash it out and come up with something that was reasonable, acceptable to the group. And one of the things that may also seem a little strange was, take for example, electric service and power supply which was really in my area of responsibility - I may not even have been in the group that was working on the things that we were supposed to do this year. Now this was input from everybody across departmental lines; because I'm sure other people perhaps wink and sit back and see some of the things that I should be doing in my department, and, likewise, I can perhaps make input in some of his areas of responsibilities, even though I'm not particularly responsible for that. Someone else, perhaps, can see. It's just too close to the forest to see the trees in our own areas of responsibility sometimes. So this was something else that was new also.

Question

Willard Grager: What kind of testing did you do with employees?

Answer

Kump: We did testing for skills and abilities and also profile of individual personality for all management and supervisory personnel. We have found the profile test information most helpful. For example, Lloyd and I, our profiles are completely different and as long as I know that he is going to do something, it is his nature, it is his profile. Then I am likely to stop and think, well, that is the way he is and I've got to use a different approach, and the same is true of him when he is

working with me. He understands me, why I do things the way I do; then he and I are going to work a little better.

#### Question

Grager: In using the bell curve to judge what is happening in meetings and utilizing the profile information, do you go by subject matter first in structuring the meeting?

#### Answer

Kump: You can use it any way you want to. We used this format in getting the employees' ideas of what the organization should be going. Design your questions to get what you want and you might have to write your own. You could use any area. We used one on just the organizational aspect of the cooperative - what should the cooperative be doing and what do you think as an employee you should be doing. We have a series of about 35 questions, I guess. Lloyd mentioned that you can get group agreement fairly easily on objectives and goals, but when you go below that it is hard to get a total agreement. Who is going to do it, when are they going to do it, what type of paper are you going to put it on, etc.

#### Question

Dage: Do you use a test procedure to discover latent talent which you may be unaware of down in the ranks of employees?

#### Answer

Kump: No, we use the basic Wonderlic Test. We give that test to all employees and I think it is an indication, I know I've used it in considering employees for job promotion.

#### Question

Dage: In using the profile testing, do you find that you lock yourself in, for example rationalizing that this employee is a dreamer; therefore, he can't come up with anything?

#### Answer

Geer: No, I don't think so. In fact, I think it has helped to realize the areas in which you do feel more comfortable. But you also see the areas where you have to exert extra effort in order to do something in this area.

#### Question

Frank McGregor: How familiar is your board with the MDI technique?

#### Answer

Overman: They don't know the technique.

THE TITLE OF MY SUBJECT IS NOT QUITE CORRECT; REALLY I AM  
GOING TO TALK ABOUT SOME PHASES OF OUR PERSONNEL <sup>Activities</sup> PROBLEMS AND HOW  
WE HAVE HANDLED THEM.

MY PRESENTATION COMES AS A RESULT OF JIM KILEY WONDERING  
ABOUT INNOVATIONS. I GOT IN TOUCH WITH HIM ABOUT THESE PRACTICES,  
WHILE THEY ARE NOT INNOVATIVE, HE FELT THE GROUP WOULD BE  
INTERESTED. HE FELT THE GROUP MIGHT APPROVE <sup>AND</sup> OR SOME MIGHT DISAGREE  
WITH THE FEASIBILITY OF SMALL ELECTRIC CO-OPS DOING WHAT WE HAVE  
DONE.

WHEN LOUIS STRONG WAS PRESIDENT OF THE NATIONAL RURAL ELECTRIC  
COOPERATIVE ASSOCIATION, HE WAS ALWAYS EMPHASIZING THE NECESSITY OF  
GETTING PROPERLY TRAINED PEOPLE AND HIGH CALIBER PEOPLE INTO THE REA  
PROGRAM. I FEEL THAT THESE PRACTICES I AM TALKING ABOUT HERE HAVE  
DONE THIS FOR US AND A COUPLE OF OTHER COOPERATIVES.

I HAVE BEEN VERY LUCKY IN THE ATTITUDE OF OUR BOARD IN THEIR  
WILLINGNESS TO GO ALONG WITH IDEAS I HAVE AND LETTING ME PUT THEM  
IN EFFECT. THE BOARD, IN GENERAL, FEELS SOMEWHAT AS I DO ABOUT THE



EMPLOYMENT OF CAPABLE PEOPLE AND LETTING THESE PEOPLE IMPROVE THEMSELVES. THIS OFFERS A BACKGROUND FOR A COUPLE OF THE ACTIVITIES I AM GOING TO REFER TO.

I WILL TRY TO DIVIDE THIS INTO SEVERAL PHASES; ONE HAS TO DO WITH DISTRIBUTIVE EDUCATION. THERE ARE TWO HIGH SCHOOLS WITHIN FIVE MILES OF OUR OFFICE: ONE IS A COUNTY CONSOLIDATED HIGH SCHOOL, THE OTHER IS AN INCORPORATED CITY HIGH SCHOOL. THESE TWO SCHOOLS, PLUS OTHERS IN THE COUNTY, HAVE DISTRIBUTIVE EDUCATION PROGRAMS, WHICH IF YOU ARE NOT FAMILIAR WITH THEM, ARE PROGRAMS IN THE HIGH SCHOOLS WHERE THEY TRY TO GET PRACTICAL EXPERIENCE FOR STUDENTS IN DIFFERENT JOBS SUCH AS CLERKS, CASHIERS, TAB OPERATORS, ETC. THE SCHOOLS HAVE COME TO US, AND WE VERY GLADLY COOPERATE WITH THEM IN PROVIDING PART-TIME EMPLOYMENT AS WELL AS THE EXPERIENCE FOR THESE STUDENTS. THIS WAS STARTED IN 1967 WITH THE VARIOUS SCHOOLS. WE HAVE HAD EIGHT PEOPLE IN THIS PROGRAM TRAIN WITH US. OUT OF THESE EIGHT PEOPLE, FOUR ARE NOW EMPLOYED BY US. WE FEEL THIS IS A WONDERFUL OPPORTUNITY FOR US TO BE ABLE TO DETERMINE THE QUALIFICATIONS AND CAPABILITIES

OF THESE PEOPLE, AND USUALLY WHEN THEY ARE FINISHING HIGH SCHOOL THEY ARE LOOKING FOR EMPLOYMENT. OF COURSE, THERE IS NO OBLIGATION, ON OUR PART, EITHER TO HIRE OR NOT TO HIRE ANY OF THE DISTRIBUTIVE EDUCATION STUDENTS.

ANOTHER PROGRAM THAT WE HAVE PARTICIPATED IN SINCE 1957 IS WHAT IS KNOWN AS THE COOPERATIVE TRAINING PROGRAM WITH VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY. WE STARTED THIS IN 1957. I NOTICED THE OTHER DAY WHERE ~~LOUIS STRONG IN HIS PUBLICATION FOR~~ THE KENTUCKY STATEWIDE PUBLICATION SAID THAT SOME UNIVERSITY IN KENTUCKY WAS NOW READY TO WORK WITH SOME OF THE RURAL ELECTRIC COOPERATIVES IN THE STATE OF KENTUCKY ON A COOPERATIVE TRAINING PROGRAM. AS I SAY, WE HAVE BEEN IN THIS PROGRAM SINCE 1957. VIRGINIA TECH HAS QUARTERS RATHER THAN SEMESTERS, AND THEY WILL ALLOW A STUDENT, AFTER HIS FRESHMAN YEAR, TO WORK WITH SOME BUSINESS FIRM FOR THREE MONTHS, GO TO SCHOOL THREE MONTHS, THEN BACK TO THE BUSINESS THREE MONTHS, AND THIS CONTINUES UNTIL THE INDIVIDUAL GRADUATES.

SINCE WE STARTED THIS PROGRAM IN ~~1957~~, WE HAVE HAD 13 CO-OP-  
ING STUDENTS WITH US. THESE STUDENTS HAVE EITHER BEEN AGRICULTURAL  
ENGINEERS OR ELECTRICAL ENGINEERS. OF THESE 13 PEOPLE, TWO ARE  
PRESENTLY EMPLOYED WITH US AND TWO OTHERS ARE EMPLOYED BY RURAL  
ELECTRIC COOPERATIVES IN THE STATE OF VIRGINIA, SO THAT HERE AGAIN,  
WE FEEL THIS HAS PROVIDED A MEANS OF SECURING GOOD PERSONNEL, WHICH  
WE HAVE WORKED WITH AND KNOW, AND THEY, IN TURN, KNOW WHETHER THEY  
WANT TO WORK FOR US.

NOW I WILL GET INTO A PHASE THAT MIGHT SOUND BOASTFUL, BUT IT  
IS SOMETHING WE ARE VERY PROUD OF--AND THIS IS THE COOPERATIVE'S  
ATTITUDE ABOUT THE EMPLOYMENT OF HIGHLY QUALIFIED PEOPLE. I KNOW  
THAT EVERYBODY IS INTERESTED IN EMPLOYING THE BEST QUALIFIED PEOPLE  
THEY CAN FIND, BUT I FEEL THE SHENANDOAH VALLEY ELECTRIC COOPERATIVE  
HAS BEEN ABLE TO DO THIS, AND WE HAVE DONE IT THROUGH THE EMPLOYMENT  
OF COLLEGE GRADUATES. I REALIZE THAT A COLLEGE EDUCATION IS NOT  
NECESSARY FOR A PERSON TO BE HIGHLY QUALIFIED, BUT I DO BELIEVE IT  
IS AN INDICATION OF A PERSON'S ABILITY TO ABSORB KNOWLEDGE.

THEREFORE, IT IS AN INDICATION THAT THAT PERSON PROBABLY IS CAPABLE; SO ALONG THIS LINE, I WOULD LIKE TO EXPLAIN OUR <sup>ATTITUDE</sup> ~~ATTITUDE~~ IN THIS RESPECT. WE HAVE, AT THE PRESENT TIME, 100 EMPLOYEES AND ELEVEN ARE COLLEGE TRAINED. WE DID HAVE 12 BUT OUR HOME ECONOMIST LEFT THE END OF APRIL. NOW THESE COLLEGE TRAINED PEOPLE, I THINK, GIVE US ONE OF THE BEST STAFFS OF ANY RURAL ELECTRIC COOPERATIVE IN THE COUNTRY. THE SIZE OF A COOPERATIVE HAS LITTLE TO DO WITH THE ABILITY TO PAY FOR SUCH PERSONNEL.

YOU MIGHT WONDER THEN WHAT THE STATISTICS ARE OF OUR COOPERATIVE, THE SIZE, ETC. WE HAVE ABOUT 18,500 CONSUMERS. LAST YEAR, WE HAD A REVENUE OF ROUGHLY \$4 MILLION. WE DO SERVE IN A PROSPEROUS RURAL AREA THAT IS CHANGING TO AN INDUSTRIAL AREA, AND <sup>and</sup> ~~IT IS THIS CHANGE THAT REQUIRES A TRAINED STAFF.~~ *we are adding about 100 members per month.* THERE ARE OTHER COOPERATIVES THAT ARE GROWING FASTER THAN WE ARE, BUT WE HAVE HAD A CONSTANT AND STEADY GROWTH.

THIS IS THE POINT WHERE JIM KILEY FELT THAT THERE MIGHT BE SOME QUESTIONS IN THE GROUP AS TO WHAT SIZE COOPERATIVE CAN AFFORD

HERE PASSED 6

A STAFF SUCH AS THIS, AND I BROUGHT ALONG SOME STATISTICS WHICH SHOW HOW THE NUMBER OF COLLEGE-TRAINED PEOPLE HAS GROWN WITH THE GROWTH OF OUR COOPERATIVE, AND AS THE FIGURES SHOW, WE HAD IN 1946, 4,700 CONSUMERS, AND THREE PEOPLE HOLDING COLLEGE DEGREES. OVER THE PERIOD OF YEARS, YOU CAN SEE HOW AS THE COOPERATIVE GREW, WE DID ADD MORE AND MORE COLLEGE-TRAINED PEOPLE.

*[Handwritten signature]*

ANOTHER STATISTIC WE HAVE SHOWS THE PERCENTAGE OF REVENUE WE PAID TO THESE PEOPLE, AND IF YOU WILL LOOK AT THE PERCENTAGE COLUMN, YOU WILL SEE THAT WE HAVEN'T VARIED VERY MUCH IN PERCENTAGE OF REVENUE IN SALARY FOR THESE PEOPLE.

*I think*

*This shows that any sized coop can afford to employ highly trained people.*

I CALL YOUR ATTENTION TO THE GENERAL NOTES--YOU WILL SEE THAT ONE PROFESSIONAL HAS BEEN EMPLOYED FOR EVERY 1400 TO 2,000 CONSUMERS.

YOU MIGHT WONDER WHAT JOBS THESE PEOPLE FILL AND WHAT DEGREES THEY HAVE:

- AGRICULTURAL ENGINEER- GENERAL MANAGER
- ELECTRICAL ENGINEER- OPERATIONS MANAGER
- AGRICULTURAL ENGINEER- MEMBER SERVICES MANAGER
- ELECTRICAL ENGINEER- SYSTEM ENGINEER
- AGRICULTURAL ENGINEER- ASSISTANT SYSTEM ENGINEER

ACCOUNTING DEGREE - OFFICE MANAGER

BUSINESS ADMINISTRATION- AUTOMATIC DATA PROCESSING MANAGER

~~B. S. IN BUSINESS ADMINISTRATION~~ - CHIEF ACCOUNTANT

*Fields* {
   
 B. S. IN MATH - COMPUTER OPERATOR
   
 B. S. IN BUSINESS ADMINISTRATION - WORK ORDER CLERK
   
 AGRICULTURAL ENGINEER - STAFF ASSISTANT

ANOTHER MATTER I MIGHT MENTION HERE IS THAT WE HAVE OUR OWN COMPUTER, 360-20, WHICH WE PURCHASED OUT RIGHT IN 1968--MUCH TO THE CHAGRIN OF REA.

ONE OF THE BENEFITS WE HAVE FROM THESE PEOPLE, I'M TALKING ABOUT, IS THAT WE HAVE SEVEN PEOPLE WHO CAN WRITE PROGRAMS--SOME LONGER PROGRAMS THAN OTHERS, BUT ALL SEVEN CAN DO PROGRAMS FOR THIS COMPUTER.

THIS CALIBER OF PEOPLE HAVE ALLOWED US TO PUT ON THE COMPUTER ALL OF THE PROGRAMS WE HAVE LISTED ON THIS SHEET. *to move* *inserted*

AS I MENTIONED IN THE BEGINNING, OUR BOARD IS VERY AGREEABLE TO TRAINING PROGRAMS. I CAN LET ANY EMPLOYEE ATTEND ANY MEETING, SEMINAR, OR PROGRAM, ANYWHERE IF IT IMPROVES THE EMPLOYEE'S

KNOWLEDGE OF HIS JOB. FIVE PEOPLE HAVE COMPLETED NRECA'S MANAGEMENT SEMINARS AND RECEIVED CERTIFICATES; THERE ARE FIVE MORE WHO ONLY NEED TWO OR LESS INSTITUTES TO GET THEIR CERTIFICATES. I REALIZE THERE ARE OTHER COOPERATIVES WHO HAVE MORE EMPLOYEES THAN THIS WITH CERTIFICATES FROM THE MANAGEMENT INSTITUTES, BUT WE STILL FEEL, 10 OUT OF ONE HUNDRED IS NOT BAD.

*10 out of 100* | *MANAGEMENT INSTITUTES*

THE MOST IMPORTANT BENEFIT OF THIS PERSONNEL POLICY IS

DELEGATING AUTHORITY. I FEEL PERFECTLY FREE TO LEAVE THE COOPERATIVE

*KNOWING*

KNOW EVERYTHING WILL BE TAKEN CARE OF. THIS LETS THESE EMPLOYEES

DEVELOP AND MAKES MY JOB A LOT EASIER.

*Also this gives our Board potential future MEMBERSHIP material*

~~THE ONLY~~ PROBLEM I HAVE IS WONDERING WHAT WILL HAPPEN WHEN

*CNE*

*cut it*

OUR BOARD FINDS THESE PEOPLE ARE SMARTER THAN I AM.

I HOPE THIS PRESENTATION DOES NOT SOUND TOO BOASTFUL, BUT I AM PROUD OF OUR ORGANIZATION, AND IF THERE ARE ANY QUESTIONS YOU MIGHT HAVE ABOUT ANY OF THESE PROGRAMS, OR OUR PRACTICES, I WILL BE GLAD TO TRY TO ANSWER THEM.

SHENANDOAH VALLEY ELECTRIC COOPERATIVE  
COMPUTER PROGRAMS

General Office and Accounting

Electric Bills; Register and Year-to-Date List	Accounts Receivable - Aged Trial Balance
Statistical Report	General Ledger - Year-to-Date Trial Balance, Financial Statement and Chart of Accounts
Meter Cards	Investments
Rural Living	Accounts Payable - Checks, Register- and Distribution
Daily Cash and Cash Closing	Outstanding Checks
Final Notices	Cash Receipts
Membership File - For List and Annual Meeting Notices	Sales Tax List
Deposits	Power Requirement
Capital Credits	Analysis of Power Bills
Payroll Checks and Register-- Current and Year-to-Date	Rate Study
Payroll Taxes - Federal and State	Mileage Reports - Total System by Division
Payroll Distribution - By Job and Account	Expense Report - to Management Actual vs. Budget by Account and Division
Over-time Statistical Report	Wire Crossing
Work Orders - Labor, Overhead and Material	
Continuing Property Records	
Inventory	

Engineering

System Voltage Drop Study	Recloser and Sectionalizers Maintenance Report
System Fault Current Calculation	Diagnostic Run and Corrections on Various Files
Transformer Demand	Installed Transformer Report
Load Balancing Study	Consumer Count and Location Report
Conductor Sage and Tension Calculation	Transformer Inventory Report
Outage Reports	Job Cost Estimation
Transformer Service Reports	Consumer Phase and Point Report
Installed Reclosers and Sectionalizers Report	Substation Transformer and Regulator Report
Installed Conductor Inventory	
Electric Heat Calculation	

North River Telephone Cooperative

Bills	Membership File
Toll Statements	Capital Credits
Cash Closing	Continuing Property Records
Final Notices	Directory File



HISTORICAL DATA  
COMPARISON OF SVEC PERSONNEL TO NUMBER OF CONSUMERS SERVED

Year	Consumers Served	Total Full-time Employees	Co-op and/or H.S. Training Program	No. Holding College Degrees	% to Total Revenue	Payroll for College Degree Employees
1946	4,706	68	-	3	3.6	8,400
1947	5,505	85	-	4	3.9	11,100
1948	6,431	74	-	4	3.4	12,260
1949	7,043	69	-	4	3.2	14,150
1950	7,538	54	-	4	3.0	14,540
1951	7,918	59	-	4	2.9	16,120
1952	8,267	64	-	4	2.7	17,535
1953	8,528	67	-	6	3.7	25,585
1954	9,316	68	-	6	3.4	27,690
1955	10,376	67	-	6	3.3	29,315
1956	10,474	67	-	6	3.3	32,220
1957	10,778	68	-	6	3.4	35,750
1958	11,110	68	2	6	3.2	37,520
1959	11,465	69	2	7	3.4	43,280
1960	11,834	70	2	7	3.4	45,310
1961	12,160	71	2	7	3.6	49,800
1962	12,539	71	1	7	3.6	54,190
1963	12,938	74	2	8	4.0	60,610
1964	13,362	71	2	8	3.8	65,060
1965	13,533	72	1	8	3.7	69,460
1966	14,089	70	2	8	3.5	71,750
1967	14,635	72	3	7	3.4	73,275
1968	15,018	71	4	8	3.7	83,870
1969	15,449	72	4	9	4.2	102,970
1970	16,029	72	5	8	3.9	104,615
1971	16,731	80	3	8	3.6	111,300
1972	17,620	86	3	10	3.7	130,125
1973	18,466	92	4	10	3.7	146,180
1974	18,530	100	2	11	3.5	164,055

General Notes:

1. Of the 22 participants in the high school and Cooperative Training Programs:
  - (a) 6 are now employed by SVEC
  - (b) 2 are now employed by other rural electric cooperatives
2. Since 1946, one "professional" has been employed for every 1400 to 2000 consumers
3. The cost for such persons has increased from \$2800/"Professional" in 1946 to \$14,900/"Professional" in 1974 or an approximate increase of 6% per year per professional
4. In the first 10-year period (1945-1955)
  - (a) Average one full-time employee for every 112 consumers
  - (b) In the last 10-year period (1965-1974)
    - Average one full-time employee for every 205 consumers

QUESTIONS ON "SELECTION AND COMPENSATION OF COLLEGE GRADUATES" PRESENTATION

QUESTION

McGregor: How do you get graduates? Did you seek them as employees or did they seek you?

ANSWER

McNeil: It works both ways. We have an electrical engineer who had worked with Virginia Electric Power Company and had become disenchanted with them and he was with a consulting engineering firm and he said he was tired of working 16 hours a day with this firm. He was looking for a utility but he did not want to go back with VEPCO. So, we hired him. He has a degree in electrical engineering and a professional engineer's license and he has really done a good job for us. With the co-op students, we just had a mutual understanding when they finished college, they came to work for us.

QUESTION

Ev Bristol: To what extent have you developed people within the organization, do you always go out and hire somebody or promote from within?

ANSWER

McNeil: Well, this might be a sort of caste system, but there are certain jobs we have more or less said that if we can get a college trained person to fill them we will do so and we are doing it. One of these is the data processing man. If something happens to the office manager, he, or the accountant, both of whom have degrees could take his place. So you do have this sort of development.

QUESTION

Viverette: Mark, how long do you think you can keep a person like the lady you have there with a degree in math satisfied with the job of programmer?

ANSWER

McNeil: It's a long story. She was a DE student working with us in high school. We encouraged her to go to college and married a guy on the cooperative. She had another job but we talked her into coming with us when our computer operator left. I don't think she would leave us unless her husband got transferred to some other place.

QUESTION

Gill: What is your turn-over rate?

ANSWER

McNeil: Very low. Most of our employees have been with us many years. For example, I've been with the co-op 29 years, our operation manager 24 years, and our member services manager 15 years, and the office manager has been there since 1946.

QUESTION

Geer: You do something about development of personnel already in the organization, don't you?

ANSWER

McNeil: Yes. Five of our employees have completed the NRECA Management Institute Programs and have received their certificates.

QUESTION

Sandvick: Do you send your people to the internship program at the University of Nebraska?

ANSWER

McNeil: No, we feel that if our personnel complete the NRECA Institute Program, that is about as far as the cooperative can go in this respect. They are still getting other job related training.

QUESTION

Blackwell: Didn't some of your people and you take some program at VPI in sensitivity training?

ANSWER

McNeil: Yes, we started this session which we thought was management instruction and it turned out that it was a psychological session where you kind of bared your soul. You told everybody what you thought about them, and they told you. Some of the things revealed were pretty difficult. The idea was that I'd tell the other person what I didn't like about him, and he'd tell me what he didn't like about me, and this was supposed to clear the air, etc. This was quite a shock to some of our employees who were in attendance because they kind of walked into it cold. I think some of the people found out that some of the other employees didn't like them so well, and all this kind of thing. I personally don't think you can do this. It leaves scars. It might sound good on the face of it where there's one of the kind of confrontation meetings, where you look each other over and you tell them what's wrong with them, and you think - by golly, everything's going to be alright when we get the air cleared. I think that by the time they get home and think about it a little bit, they really don't like what the other guy said about them. It wasn't all negative, but almost all of it was.

Charles W. Thompson  
General Manager  
Douglas County Electric Memb. Corp.  
Douglasville, Ga.

Notes of presentation .

Discussed needs for standards.

Reviewed the history of the development of system standards at Douglas County EIC.

Standards developed with input from board of directors and staff.

Utilized NRECA information in the development of basic standards.

Utilized guidelines from REA and GPC in the development of minimum standards.

Uses standards with the board of directors to determine direction in which EIC is going.

Discussed measurements used in key results areas of

- (1) Financial Health
- (2) Work Efficiency
- (3) Power Supply
- (4) Employee Relations and Development
- (5) Member Relations
- (6) Market Potential and Position

FINANCIAL HEALTH

<u>Measurements of Performance</u>	<u>Dept. Resp. for Reporting</u>	<u>Standard for 1973</u>	<u>Actual 1973</u>	<u>Standard for 1974</u>
1. Debt Service Coverage . . . . .	2	2.3	2.4	2.5
2. Times Interest Earned Ratio . . . . .	2	2.5	2.7	2.9
3. Plant Revenue Ratio . . . . .	2	5.6.	6.1	5.5
4. Equity . . . . .	2	25.0%	23.9%	24.5%
5. Increase in Equity This Year . . . . .	2	-1.32%	-2.42%	+6%
6. Working Capital as Percent of Plant . . . . .	2	5.8%	5.8%	5.8%
7. Reserve Funds as Percent of Plant . . . . .	2	1.3%	4.0%	.5%
8. Two-Year Advance Payments to REA . . . . .	2	.00	0	0
9. Total Revenue as Percent of Total Plant . . . . .	2	36%	38.3	40%

WORK EFFICIENCY (PRODUCTIVITY)

<u>Measurements of Performance</u>				
1. Inventory Turnover Per Year . . . . .	5	4.0	3.08	2.75
2. Percent of Inventory to Total Plant . . . . .	5	1.25%	.75	1.00
3. Nonactive Inventory as a Percent of Total . . . . .	5	0	0	0
4. Deviation in Expenditures of				
Total Operating Budget . . . . .	2	±1%	+6.8%	± 1%
a. Cost of Purchased Power . . . . .	2	±1%	+7.7%	± 1%
b. Operating Budget less Purch. Power . . . . .	2	±2%	+4.9%	± 2%
c. Non-operating Budget. . . . .	2	±2%	+1.3%	± 2%
5. Deviation in Expenditures of Capital				
Budget . . . . .	2	±5%	+11.1%	±10%
a. Electrical Plant Budget . . . . .	2	±2%	+11.1%	± 2%
b. General Plant Budget . . . . .	2	±1%	-	± 1%
6. Return on Investment of Working Funds . . . . .	2	6%	5.9%	7%
7. Construction Overhead as Percent of				
Direct Labor . . . . .	2	140%	142%	140%
8. Ratio of Dist. Transformer Capacity to				
System Peak . . . . .	5	1.7/1	3/1	2/1
9. Percent Line Loss Per Year . . . . .	5	8%	9.65%	8%

WORK EFFICIENCY (PRODUCTIVITY) (Continued)

<u>Measurements of Performance</u>	<u>Dept. Resp. for Reporting</u>	<u>Standard for 1973</u>	<u>Actual 1973</u>	<u>Standard for 1974</u>
10. Cost per 1,000 kwh sold This Year . . . . .	2	\$ 15.96	\$ 16.75	\$ 19.25
11. Return per 1,000 kwh sold This Year . . . . .	2	17.75	17.57	20.96 (19.5)
12. Operating Expenses Less Power Cost as Percent Revenue . . . . .	2	36.9%	38.3%	21%
13. Maintenance Cost Per 1,000 KWH Sold . . . . .	2	\$ .72	\$ 1.50	\$ .80
14. Adm. & Gen. Expenses Per 1,000 KWH Sold . . . . .	2	\$ 1.35	1.08	1.04
15. Total Utility Plant Per 1,000 KWH Sold . . . . .	2	\$ 46.08	45.89	43.54

POWER SUPPLY

<u>Measurements of Performance</u>				
1. Power Cost as a Percent of Total Operating Revenue . . . . .	2	52.9%	57.1%	61%
2. Average Cost Per KWH Purchased . . . . .	5	0.855¢	0.904¢	1.13¢
3. Voltage Regulation (Base 120V) . . . . .	5	114-126V	111-135V	114-126
4. Average Members - Hours Out Less Power Supplier & Major Storms . . . . .	5	1.5	1.3	1.2

EMPLOYEE RELATIONS AND DEVELOPMENT

<u>Measurements of Performance</u>				
1. Percent Employee Turnover . . . . .	2	3%	3.87%	3%
2. Percent Overtime to Gross Payroll . . . . .	2	4.5%	7.48%	4.5%
3. Amount of Revenue Received Per Dollar of Gross Payroll . . . . .	2	\$ 6.25	\$ 6.23	\$ 7.00
4. Percent Employees in Planned and Sched- uled Training (Excluding Safety) . . . . .	2	50%	100%	50%
5. Days Sick Leave Taken Per Employee Per Yr. . . . .	2	5	5½	5
6. Employee Benefits as Percent of Total Payroll . . . . .	2	22%	18.88%	22%
7. Number of On-job Accidents . . . . .	2	20	11	20

## MEMBER RELATIONS

<u>Measurements of Performance</u>	<u>Dept. Resp. for Reporting</u>	<u>Standard for 1973</u>	<u>Actual 1973</u>	<u>Standard for 1974</u>
1. Percent Members Attending Annual Mtg.	3	2%	1.56%	2%
2. Number of news stories per year in area newspapers	3	8	10	12
3. News releases	3	18	14	15
4. Percent of favorable newspaper editorials	3	100%	50%	75%
5. Letters of appreciation; letters of complaints, non-bill related	3	50%	86%	75%

## MARKET POTENTIAL AND POSITION

<u>Measurements of Performance</u>				
1. Average KWH/residential member	3	1005	977	1060
2. Electric Heat Installation Completed During Year	3	500	672	600
3. Percent Completely Electrified Homes	3	11.2%	12.9%	13.5%
4. Percent of Power Use Expensed to Operating Revenue	3	5%	1.8%	.8%
5. Percent of Increased Power Use Expense to Annual Increase in Electric Revenue* (Rev. Less Cost of Power)	3	12%	-7.15%	1%
6. Power Sales Expense/Residential Member	3	\$ 6.00	\$4.20	\$5.00

QUESTIONS ON DEVELOPMENT OF NUMERIC STANDARDS PRESENTATION

QUESTION

Viverette: Statistics are valuable to let us know where we are, but question is what can we do to make improvements?

ANSWER

Thompson: I really don't have an answer to that. We think we are doing a reasonably good job in offering leadership in management between the board and the staff. But some of the statistics, for example, our equity indicates that even the best we can do we lose some ground.

Beverage: In the matter of equity, all utilities are facing the same problem.

QUESTION:

McGregor: What happened to your power use program? Did you change your mind about it in 1974?

ANSWER:

Thompson: Yes, we had a program which included a cash incentive to the members for the installation of certain equipment, but this was phased out in 1973. We now work with builders and contractors trying to upgrade insulation, wiring, etc.



## POLICIES, PRACTICES AND PROCEDURES

Virgil Herriott, General Manager  
Sioux Valley Empire Electric Assoc.  
Coleman, South Dakota

### Notes from Presentation

Quoted Harold Koontz who stated that policies and procedures are plans, a framework, guidelines to thinking.

"Policies and procedures are plans because they shape future actions.

"Policy is a framework for discretion. It is a guide to thinking. The essence of policy is discretion. When there is no discretion, it is then a rule.

"Procedures are practices or chronological sequences of actions.

"Society develops two kinds of people, the policy minded type who wants discretion and the procedures minded type who wants explicit instructions."

Referred to article in winter issue of Management Quarterly "What Do You Mean, It's Our Policy."

Cooperatives have need for communicating with people.

Policies help people to carry out their delegations - to make good decisions.

There should be less rules (procedures).

The position description identifies who decides what.

Budgets and work plans are used in decision making.

Board of directors has changed system objectives and key performance areas.

Stated that there would be a major board policy (a broad statement) in each key performance area, with board operating guides to implement policy statement.

Reviewed examples of new policy and operating guide concept and contrasted this with old method.

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.  
COLMAN, SOUTH DAKOTA

BOARD POLICIES AND OPERATING GUIDES

To assure consistent decisions and action in carrying on the programs and activities of the Cooperative, the Board of Directors shall provide general guidelines to be followed in arriving at decisions. These general guidelines shall be referred to as "Board Policies" and such policies as are adopted by the Board from time to time shall reflect the point of view, or philosophy, of the Board in dealing with situations which occur in key areas of Cooperative operations.

The Board of Directors may also adopt more specific guidelines wherein there is a desire for less latitude in decision making, and wherein more specific practices are intended to be followed by the Board and by employees of the Cooperative. These more specific guidelines shall be known as "Board Operating Guides".

The General Manager shall be accountable to the Board of Directors for compliance with Board Policies and Board Operating Guides. He shall also be accountable for seeing that all policies and operating guides are interpreted to, understood and accepted by all employees, or others affected. The General Manager may, at his discretion, establish such Management Operating Guides, procedures and instructions as he deems necessary to assure the proper implementation and interpretation of Board Policies and Board Operating Guides.

All employees shall be given the opportunity, through the consultative process, to make suggestions for, and to contribute to, the formulation of new, or modifications of, existing policies and operating guides.

This statement was adopted by the Sioux Valley Electric Board of Directors on March 18, 1974 and shall become effective immediately and remain in effect until revised, or rescinded by the Board of Directors.

NEW KPA'S

ELECTRIC SERVICE  
POWER SUPPLY  
CAPITAL  
COOPERATIVE OWNERSHIP & MEMBER RELATIONS  
CORPORATE IMAGE  
MANAGEMENT & LEADERSHIP  
ORGANIZATION  
POWER USE  
AREA DEVELOPMENT  
EMPLOYEE RELATIONS & DEVELOPMENT

OLD KPA'S

ELECTRIC SERVICE  
POWER SUPPLY  
CAPITAL  
COOPERATIVE OWNERSHIP & MEMBER RELATIONS  
MANAGEMENT & LEADERSHIP  
ORGANIZATION  
TERRITORIAL INTEGRITY  
ELECTRIC POWER UTILIZATION  
COMMUNITY DEVELOPMENT  
POLITICAL ACTIVITY  
NATURAL RESOURCES

STOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.  
COLMAN, SOUTH DAKOTA

BOARD POLICY #10

CORPORATE CITIZENSHIP

I. OBJECTIVE

To assume a leadership position through recognizable efforts and actions designed to enhance the social, cultural and economic status of those living in the rural community, to secure favorable public opinion and understanding of the activities and programs carried on by the Cooperative and to develop the legislative support needed to permit the continued pursuit of our objectives.

II. POLICY

A. Governmental Relationships

1. State and Local - There shall be specific programs developed and carried out which are designed to communicate the needs and interests of the Cooperative to state and local elected representatives and governmental officials. Our communications with them shall be of such a nature that will permit the determination of their reaction to, and support of, the needs and interests of the Cooperative.
2. National - Effort shall be made to establish and maintain effective relationships with elected representatives to the national Congress. Other officials in government departments, or in the executive branch, shall be made aware of the needs of the Cooperative and this area for services available through their national offices. The General Manager shall be expected to report periodically to the Board and to enlist the Board's assistance and involvement in the establishment and maintenance of these important relationships.

B. Public Relationships

The Cooperative recognizes the importance of a favorable public image and the conduct of its operations may be influenced in an attempt to establish and maintain this favorable image. Most important in this process is the periodic determination of the Cooperative's image with the public. In addition, recognition will be given to the need for directors, the management and employees of the Cooperative to participate in worthwhile community endeavors and to provide leadership to these endeavors whenever possible.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

ATTEST: Charles N. Larson  
Secretary

Date: 2-25-74

STIUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.  
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #10-1

MEMBERSHIP IN CIVIC AND COMMERCIAL ORGANIZATIONS

A. DIRECTORS

The Cooperative will pay the annual dues required for its directors to join civic and community clubs, except that each director shall make known his desire to join civic and commercial clubs, and shall obtain the approval of the Board of Directors before dues will be paid. The Cooperative shall continue to pay the director's dues in such organizations as long as the director actively participates in the affairs of the organization.

B. EMPLOYEES

The Cooperative will pay the annual dues required for employees to join civic and community clubs, except that each employee shall obtain the approval of the General Manager before the dues will be paid. The Cooperative shall continue to pay the employee's dues in such organization as long as the employee actively participates in the affairs of the organization.

BOARD OPERATING GUIDE #10-2

Date adopted: 3-18-74

STATEMENTS AND NEWS RELEASES ON BEHALF OF THE COOPERATIVE

A. PUBLIC STATEMENTS AND NEWS RELEASES

1. The Chairman of the Board of Directors, in cooperation with the General Manager, shall be considered the official spokesman of the Cooperative on statements and news releases regarding all matters relating to board policy and specific board actions. The Chairman may, at his discretion, direct the General Manager to speak, or issue statements, or interpretations, on his behalf.
2. The General Manager shall be designated the official spokesman of the Cooperative on all other matters pertaining to, and affecting, those areas of responsibility that have been delegated to him. The General Manager may, at his discretion, utilize the advice and counsel of the Board Chairman in his statements and news releases.

B. COMMUNICATIONS WITH ALLIED ORGANIZATIONS

1. The official representative of the Cooperative to an allied organization shall be expected to present the point of view and position of the Cooperative at board and committee meetings of the allied organization. The official representative is encouraged to utilize the assistance of the General Manager in such presentations and interpretations.
2. When specifically assigned by the Board of Directors, the General Manager will interpret the position of the Cooperative to allied organizations, or to other cooperatives who may be members of these allied organizations.

C. OTHER COMMUNICATIONS

Any situations which arise which do not clearly fall into one of the above outlined categories shall be referred to the Board of Directors for review and the determination of an official statement, or position, and a designated spokesman. Each such instance shall receive specific action and authorization from the Board of Directors.

D. REPORTS

In all such instances where official statements are made on behalf of the Cooperative, the person presenting such statements shall submit a report regarding the statement and his interpretations of the reaction to the statement to the Board of Directors at their first regular meeting following the presentation of such statement.

BOARD OPERATING GUIDE #10-3

Date adopted: 3-18-74

PUBLIC USE OF THE COOPERATIVE'S COMMUNITY ROOM

The Cooperative's community room facilities shall be made available to members and the public on a fair, consistent and controlled basis that results in maximum utilization of the community room and associated facilities. No specific group, either political, religious, civic, or other, shall be considered as excluded from the use of the community room, provided that they comply with the established "Rules and Regulations" governing its use.

Date adopted: 3-18-74

BOARD OPERATING GUIDE #10-4

POLITICAL ACTIVITY OF DIRECTORS AND EMPLOYEES OF THE COOPERATIVE

The Sioux Valley Empire Electric Association recognizes that the exercise of basic political rights is necessary to foster and maintain our democratic form of government. It also recognizes the rights and privileges of its directors and employees, as individual citizens, to express themselves on, and to participate in, political activities.

Representatives of both political parties have given strong support to the Cooperative, and we recognize that the Cooperative's future existence is dependent upon continued bi-partisan political support, however, the Cooperative will not endorse any political candidate or party, either by statement of endorsement, or by contribution of money or services.

Directors and employees of the Cooperative are encouraged to be active in the political party of their choice, but they shall not use their position with the Cooperative to endorse either political candidates or parties.

Members of the Board of Directors assume certain obligations to the Cooperative by virtue of their election or appointment to the Board. No person should consent to become, or remain, a director who can not properly fulfill his or her responsibilities to the Cooperative as a director, including being able to give the time necessary to discharge these responsibilities.

An employee also has obligations to the Cooperative, most of which are determined by the duties of the position. The Cooperative expects that its employees will not assume any other responsibilities which will prevent them from fulfilling the necessary requirements of their position.

A. DIRECTORS - POLITICAL ACTIVITY

1. Directors who choose to become candidates for political or appointive government offices will be expected to resign from their position with the Cooperative, if the duties of their elected or appointed office interfere with the normal execution of their duties as a director.

B. EMPLOYEES - POLITICAL ACTIVITY

1. The General Manager shall not be a candidate for, or accept appointment to, any governmental or political office without, either resigning his position, or receiving the express consent and approval of the Board of Directors.
2. When employees of the Cooperative choose to become a candidate for governmental office, or when they are elected or appointed to a governmental position or office, they shall be expected to review such candidacy or appointment with the General Manager. The General Manager shall decide whether or not such candidacy or service would prohibit the employee from properly fulfilling his obligations to the Cooperative as an employee. If the General Manager decides such candidacy or service does prohibit the employee from properly fulfilling his obligation, he shall require that the employee resign from his position, or take a leave of absence without pay.

Date adopted: 3-18-74

MEMO

January 28, 1974

To: All Department Heads  
From: Virgil Herriott *VH*  
Subject: Mileage rate

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This is to inform you that the Board of Directors, at their board meeting on January 26, did authorize a change in the mileage rate to be paid employees and directors who use their personal car for travel on Cooperative business.

Effective January 1, 1974, the allowable mileage rate is 15¢ per mile.

Will you please notify your employees accordingly.



SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.  
COLMAN, SOUTH DAKOTA

BOARD POLICY NO. 108

MEMBERSHIP IN CIVIC AND COMMERCIAL ORGANIZATIONS

I. OBJECTIVE

To provide the opportunity for active participation in civic and community affairs by the directors of the Cooperative, and thus, to promote an understanding and acceptance of the Cooperative's ideals, objectives and goals.

II. SCOPE

Directors of the Cooperative are encouraged to join and participate in the affairs of recognized civic and community clubs in addition to other worthwhile community affairs.

The Cooperative will pay the annual dues required for its directors to join civic and community clubs, except that each director shall make known his desires to join civic and commercial clubs, and shall obtain the approval of the Board of Directors before dues will be paid. The Cooperative shall continue to pay the director's dues in such organizations as long as the director actively participates in the affairs of the organization.

All of the directors are also encouraged to join recognized and worthwhile fraternal and other organizations that provide the opportunity for growth, development and a contribution to the rural community.

Attest: Virgil H. Herriott  
General Manager

Date Adopted: 12-11-59

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.  
COLMAN, SOUTH DAKOTA

OPERATING PROCEDURE NO. 807

PROCESSING TEMPORARY ELECTRIC SERVICE ACCOUNTS

1. All requests for temporary electric service shall be recorded on the temporary electric service application form. Both the Cooperative's location code designation and an identification of the construction site understandable to the contractor, or the consumer, should be recorded on the temporary service form.
2. The type of construction undertaken should be clearly recorded on the form.
3. The contractor's name, address and the name of the individual to whom correspondence and billing should be directed should also be recorded.
4. The number of the work order or job order which was utilized to extend the temporary service should also be recorded on the form.
5. A separate file shall be created for all temporary electric service accounts and maintained until the temporary service is terminated and paid in full. Copies of all information relative to the temporary service, including copies of bills submitted and paid shall be maintained in this file.
6. All delinquent temporary electric service accounts shall be routed to the Director of Accounting Services for follow up.
7. All terminated temporary electric service accounts which have been paid in full shall be routed to the Director of Accounting Services for final review.
8. All requests for temporary electric service not clearly covered or consistent with the provisions of Rate Schedule "T" and this procedure shall be routed to the Assistant Manager for review and processing.
9. The name of the ultimate consumer, the date of transfer from temporary to permanent service and other information requested regarding the ultimate consumer shall be entered on the temporary service application form before the temporary service is finally closed out.

Virgil H. Herriott  
General Manager

Dated: 2-1-73

QUESTIONS ON PRESENTATION ON POLICIES, PRACTICES AND PROCEDURES

Question

Millard Goff: Why did you make this change?

Answer

Herriott: We wanted to get to the place where our employees have the opportunity to exercise initiative and make their own decisions in carrying out their responsibilities. The concept behind it is of real importance, I think. Especially in terms of conduct of personnel.

Question

Blackwell: What about management policies?

Answer

Herriott: Board operating guides are approved by the board. The General Manager issues operating procedures, or the department heads. It would depend on the nature of the procedure. It may be issued over the signature of the General Manager or over the signature of a department head. We have management and operational policies issued by the General Manager. These are being presently translated into what we call management operating guides.

Question

Sandvick: How do you classify and catalog them?

Answer

Herriott: We are just in the process of developing the new policy manual now and there will be ten sections in it - that is in the board policy manual; there will be the ten board policies and there will be the only ten board policies as we envision it now. Then there will be a number of board operating guides, one or more in each of the ten key performance areas. This will be the extent of board policies.

Now when it comes to management operating guides, they will probably be filed in the same sequence in the same book - perhaps in a different color paper. If you wanted to find out how to do a specific task that wouldn't be in the manual. Procedures deal with the step by step sequence. This would be covered in the procedures book, how to handle something specifically.

Isn't it the job of the supervisor really to instruct his employees in how to go about doing the things they are responsible for doing. I don't think we ought to try to write it into documents such as policies and operating guides.

Question

Sandvick: Who is responsible for interpreting policy? Do you put this on the supervisor with the ultimate level going back to management?

Answer

Herriott: I'm accountable to the board for interpreting board policies and board operating guides for my staff. They, in turn, are accountable to me for the interpretation to their people.

## USE OF TASK FORCE CONCEPT IN RURAL ELECTRIC COOPERATIVE MANAGEMENT

C. E. Vivrette, Executive Vice President  
Barbara Deverick, Administrative Assistant  
Blue Ridge Electric Memb. Corp.  
Lenoir, North Carolina

### TASK FORCE CONCEPT HAS UNIVERSAL RELEVANCE BECAUSE:

- (1) REC's have unresolved issues which if resolved could contribute materially to the organizations' well being.
- (2) The human resources in no REC is fully utilized - not on a continuous basis in any event.

### CHARACTERISTICS OF TASK FORCE:

- (1) Semi-autonomous
- (2) Interdisciplinary
- (3) Interfunctional
- (4) Temporary group
- (5) Responsibility for some implementation of decisions arrived at

### TASK FORCE MUST HAVE:

- (1) A clearly defined assignment.
- (2) A high degree of freedom (in which to operate)
- (3) Authority (to carry out its mandate) assured by power/authority force
- (4) Commitment by both management and members of task force
- (5) Accountability - for what it proposes (the buck stops here)
- (6) Time to carry out assignment (don't rush project, could cause group to become polarized)

### TASK FORCE USEFUL FOR:

- (1) Restructuring (organization, department, etc.)
- (2) Long range planning
- (3) Introduction of new services (or programs)
- (4) Temporary management
- (5) Specific project assignments (Example: development of employee communications program)

### BREMC'S EXPERIENCE:

Began to use Task Force Concept three years ago

First Task Force utilized to evaluate communications with -

Employees - Members - Directors - Public

Developed recommendations for improvement

Recommendations accepted by the Executive Vice President who made specific assignments for implementation and required follow-up progress reports.

Task Force re-activated eighteen months later to evaluate success of communications program and make modifications.

Second Task Force utilized to make study of billing, collecting, meter reading, service charges and practices relating to member accounts.

Completed assignment which resulted in new schedule of charges for services to members, new electric rates and new billing and meter reading procedures which were implemented with a minimum of confusion and effort.

Third Task Force is presently in operation refining system program of work measurement and cost and plant accounting. Work will be completed with the implementation of a complete program change in this area in January 1975.

#### TASK FORCE PROCEDURE AT BREMC:

- (1) Executive Vice President and Administrative Assistant determine area for possible use of Task Force.
- (2) Review area with management staff for modification, understanding and acceptance.
- (3) Refine task force assignment.
- (4) Make assignment - appoint coordinator - be sure department managers whose functional areas are affected are negotiated with prior to making the assignment.
- (5) Get commitment - from management staff and task force members.
- (6) Develop sub-groups as needed.
- (7) Get regular progress reports on Task Force's work.
- (8) Final recommendation developed and given to Executive Vice President for his consideration.
- (9) Executive Vice President approves/modifys or returns for further work.
- (10) If recommendations approved, Executive Vice President then reviews with management staff.
- (11) Makes assignments for implementation of recommendations.
- (12) Executive Vice President and management staff receive regular progress reports and evaluations until implementation is complete and working smoothly.

#### ADVANTAGES OF USING TASK FORCE CONCEPT:

- (1) Use of people with technical/professional know-how (regardless of where they may be located in the organization).
- (2) Use of people who will be involved in the implementation of the recommendations developed.
- (3) Management development - way of learning what the potential of employees might be.
- (4) Provides job enrichment - a change of pace.
- (5) Meets people need of organization.

WHEN SELECTING A TASK FORCE ASSIGNMENT:

Be sure to select a problem or an opportunity which most of the management personnel recognize as having potential rewards for the organization.

Be sure to get proper, high level, backing.

Involve competent personnel.

Hold task force accountable. . . . .

These things spell success for the Task Force.

Bibliography:

"Your Role in Task Force Management"

Thomas L. Quick - 1972

Doubleday & Company, Garden City, N. W.

"The Many Uses of A Task Force"

Thomas L. Quick - Personnel Magazine - January-February 1974

AMACOM

BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION

January 17, 1974

Memorandum to: Management Staff Members

From: C. E. Viverette, Executive Vice President

Subject: New Committee to Revise Work Order Accounting

Effectively immediately I am establishing a Committee to refine the system program of work measurement, plant accounting and records relating to utilization of manpower, materials, and equipment. The work of this Committee will affect particularly our electric plant operations, plant accounting, materials control, preparation of time reports and staking sheets.

The attached assignment sheet gives the mission of the Committee--its make-up and its target dates for work completion. Please study this Committee assignment sheet, discuss it with your people, and give the Committee full support and cooperation as it carries out its assignment which will result in a much needed change in procedures and an improvement in our operations.

BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION

January 2, 1974

COMMITTEE TO REFINE SYSTEM PROGRAM OF WORK MEASUREMENT, PLANT ACCOUNTING, AND RECORDS RELATING TO UTILIZATION OF MANPOWER, MATERIALS, AND EQUIPMENT

I. MISSION OF COMMITTEE:

- A. To devise and simplify administrative practices and improve information systems which will result in the most timely and effective management and accounting information being made available to all management personnel as it relates to time worked, use of equipment, inventory control, and work order accounting.
- B. To see that maximum utilization is made of data processing (the computer) in producing only such information as is necessary to the efficient management of the Cooperative in the areas mentioned in Item A.

II. ASSIGNED AREAS OF STUDY, RESEARCH AND DEVELOPMENT (limited to field of mission):

- A. Daily work reporting - design of reports, etc.
- B. Use of equipment reporting - design of reports, etc.
- C. Daily work assignments - job orders for all work and project assignments, where practical, to be developed.
- D. Inventory control - accounting for materials used and retired.
- E. Design and maintenance of construction specification manual - converting to record units (elimination of all bastard construction units if possible.)
- F. Staking sheets - development of form, preparation, assignments, tabulation of record units, checking materials used, etc.
- G. Cost accounting methods for all plant additions (electric and general).
- H. Cost accounting methods for all operational units (setting meters, inspecting poles, etc.)
- I. Control reporting in cost accounting areas - work units, dollars, time.
- J. Use of EDP for all work order accounting and, as practical, use of EDP for subsidiary records.



- K. Organizational changes, if any, necessary to implement recommendations developed in A through J.

III. TIME SCHEDULE:

- A. Recommendations prepared in each of the areas designated in II above by March 31, 1974. To be presented to Executive Vice President at that time for his consideration.
- B. Plans completed for implementation of recommendations approved by the Executive Vice President by August 1, 1974.
- C. Program fully implemented January 1, 1975.

IV. MAKE-UP OF THE COMMITTEE:

Barbara Deverick will coordinate the work of the Committee. Committee to be composed of Henry Parker, Wayne Keller, Bob Moretz, Jerry McFelea, Jim Cannon, Chuck Troutman, Gary Fraysier, and Bruce Drum.

*2:00 P.M.  
coord. Room  
Documentation*

Sub-committees may be assigned as full committee determines to be needed.

V. RESOURCE PEOPLE TO WORK WITH COMMITTEE:

Dennis Rader, Margie Pearson, Chris Beane, George Lovins, and any other employees who can provide creative input into the development of the recommendations should be used as resource people and their supervisors directed to make these persons available to work with the Committee.

✓

BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION  
REPORT AND RECOMMENDATIONS OF THE TASK FORCE ON  
WORK ORDER ACCOUNTING  
APRIL 1, 1974

Three sub-committees were assigned to do study, research and development in the areas defined in the task force directive dated January 2, 1974. The sub-committees dealt with the following major areas: Sub-Committee A - Daily work assignments, reporting, controlling and use of equipment information; Sub-Committee B - Construction and materials accounting and engineering information; Sub-Committee C - Cost Accounting methods and control reporting and processing of data.

After more than two months of intense study and research the findings of the three sub-committees are combined into this report.

RECOMMENDATIONS

Recommendation I: Develop and implement January 1, 1975, a numbered Job Order System for all Blue Ridge Electric work.

Results Expected: A numbered Job Order System is expected to produce management control information which will enable the Cooperative to measure with a high degree of accuracy the direct costs of all productive and non-productive time and use of all equipment. The measurement of direct costs will enable immediate supervisors to know accurately the productivity of all employees who report to them and will thus enhance management control of the work force and its output. In order to accomplish the above, the following will be required.

1. Develop standard work units for all Blue Ridge Electric work.
  - a. All outside work.
  - b. All other.
2. Develop procedures and methods for sequencing and assignment of job order numbers.
3. Develop a standard operations and maintenance form (Fixed Job Order Numbers).
4. Develop a standard electric plant additions form (Unique Job Order Numbers).
5. Develop a standard buildings and grounds maintenance form.
6. Develop a standard non-productive time form.
7. Develop a standard power interruptions form.
8. Develop a standard contracted services form.
9. Develop a standard form for test section activities.

10. Develop a standard form for front office activities.
11. Develop a standard form for Print Shop activities.
12. Develop a standard form for office services activities.
13. Revise our employee identification numbering system to be compatible with the new job order numbering system, and obtain revised employee I. D. Badges.
14. Revise our vehicle identification numbering system to be compatible with the job order numbering system.
15. Develop a new crew identification number system to be compatible with the new job order numbering system.
16. Develop the initial standard costs for all jobs to be measured.

Recommendation II: Completely revise the material accounting system using construction units as input data and computer prepared material lists to be used for operating and accounting purposes.

Results Expected: This change will save many manhours per year of paper work not only in the districts but the Accounting Section. Also, a much higher degree of accuracy can be obtained over the present method. With this system efficiency can be improved in handling of materials and better inventory controls will be possible. In order to accomplish the above, the following will be required.

1. Update overhead and underground construction specifications.
2. Assign proper materials code numbers to each construction unit.
3. Revise staking sheets for overhead construction and develop staking sheets for underground construction.
4. Develop forms and procedures for EDP material list on each job.
5. Develop forms and procedures for EDP material list for materials returned to stock, materials junked, etc.
6. Develop procedures and programs for using material list for accounting purposes.

Recommendation III: Completely revise inventory control program utilizing data processing equipment to furnish reports.

Results Expected: Better control of all material resources and improved system of anticipated needs so that materials will be available when needed. It will be possible to have a material management program so that the proper balance can be maintained between material inventory levels and system needs. In order to accomplish this, the following will be required.

1. Prepare a master material listing, establishing REA coding system.
2. Develop adequate forms and system to adequately account for transformer meters, etc. which are capitalized at time of purchase.
3. Develop a material stock and usage report.
4. Develop a material inventory analysis report.
5. Develop automatic purchase order preparation expediting invoice controls and procedures.
6. Develop a control system for critical maintenance inventory stocks.
7. Develop a standard material stock for each vehicle.

Recommendation IV: Secure necessary commitment to the full development, implementation and utilization of the program recommended in I, II, and III above by:

1. Development of written procedures to be used by those people who will furnish the input data on each of the above forms.
2. Training of all employees who will be furnishing input data in the use of the new forms, and in the job order numbering system so that they will know the purposes and end result of the information they will be furnishing.
3. Training of all employees who will be users of the output information produced by this new system.
4. Secure top management, middle management, and first line supervisory management commitment to use and act upon information provided with consequences for failure to act or respond where indicated.

Anticipated Additional Costs: Basic costs involved will include forms costs and the possible addition of a one-half computer operator for a second shift computer operation. This would represent approximately \$5,000.00

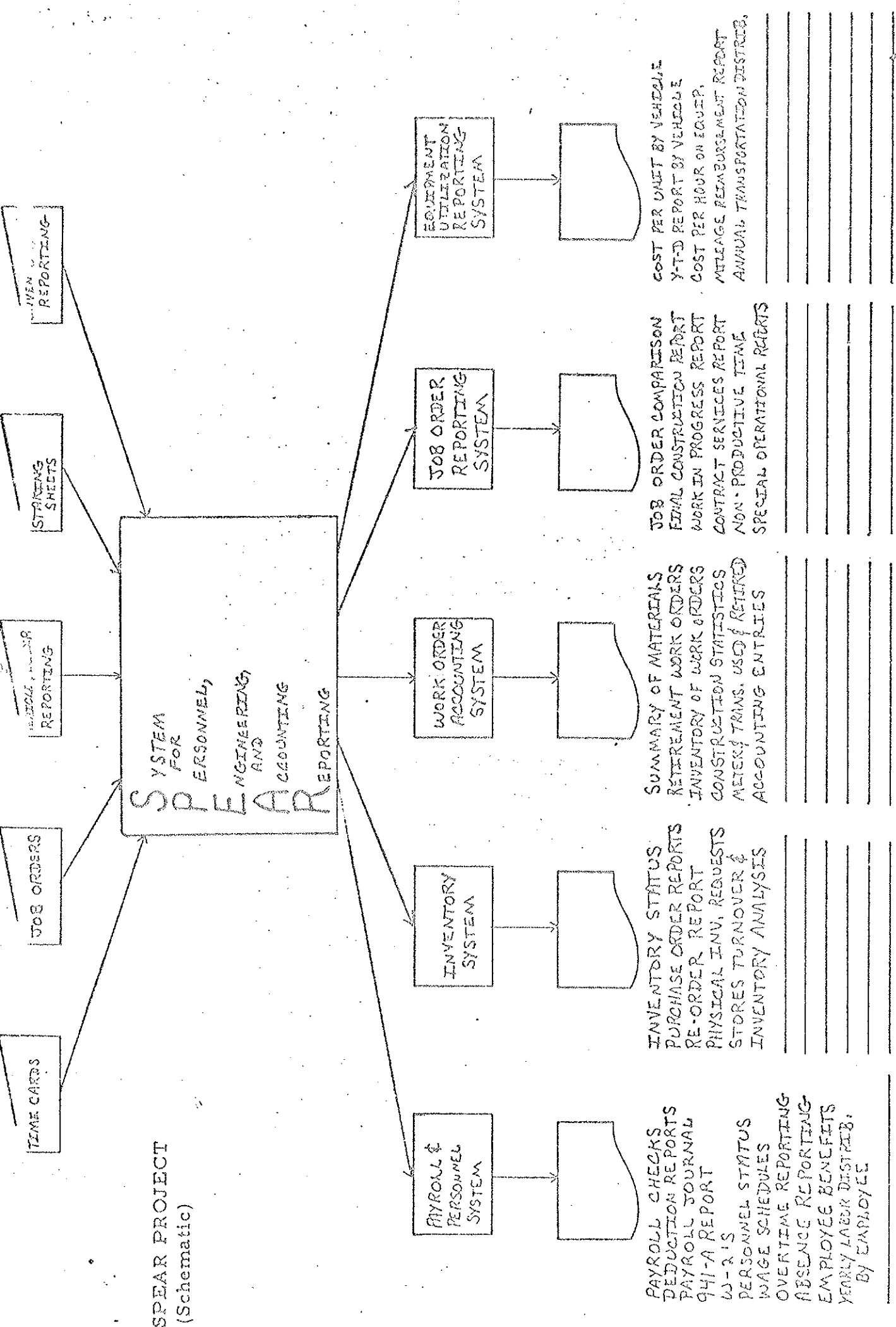
PROCEDURE FOR FINAL DEVELOPMENT  
OF PROGRAM

Upon approval of the recommendations by the Executive Vice President, it is proposed that project SPEAR - System for Personnel Engineering and Accounting Reporting (see attached schematic) be started. This project to be coordinated by the Director of Data Processing, Gary Fraysier, with staff directors Chuck Troun, Jim Caran, Bob Moretz, and Jerry McFelea being members of the project committee to develop and implement the recommendations. This committee will make full utilization of system resources, and particularly system personnel who will be directly involved in creating input data and making use of output data in the development of the project.

The first activity of the SPEAR PROJECT Committee will be to develop a schedule to implement the program reflecting a time table for completion of activities listed in each recommendation and any other activities which should be included to fully carry out the recommendations, including fixing of responsibility for completion of activity.

The SPEAR PROJECT Committee would report to the Coordinator of the Task Force Committee, Barbara Deverick, who would from time to time, convene the Task Force Committee to assure proper evaluation of progress and coordination of activities. Monthly progress reports would be given by the SPEAR PROJECT Committee at the Management Staff Meetings for communication and coordination purposes until such time as the program is fully implemented and functioning as desired.

Item 4. of Recommendation IV can only be implemented if process begins with the Executive Vice President, and continues through his staff to their key personnel. This is a must if the program is to achieve the desired results.



ACTIVITY		ASSIGNED TO	ESTIMATED MAN-DAYS	COMPLETION DUE DATE	LATEST DATE TO BEGIN
DEVELOP STANDARD WORK UNITS (OUTSIDE)		BOB M.		JULY 1	APR. 22
DEVELOP INITIAL STANDARD COSTS.		BOB M.		AUG. 5	MAY 13
DESIGN JOB ORDER NUMBERING SYSTEM		JIM C.		AUG. 5	APR. 22
REVISE EMPLOYEE NUMBERING SYSTEM		CHUCK		JULY 1	APR. 22
ASSIGN CREW NUMBERS		BOB M.		AUG. 5	JUN. 3
REVISE VEHICLE & EQUIPMENT NUMBERS		BOB M.		AUG. 5	JUN. 3
ASSIGN REA NUMBERING SYSTEM TO MATERIALS		JERRY		JULY 8	APR. 22
DEVELOP STANDARD WORK UNITS (INSIDE)	TO BE SCHEDULED AFTER OUTSIDE IS COMPLETE	JIM C.		—	—

PROCEDURAL CHANGES

R/C/D	MONTH WEEK OF	JAN		FEB		MAR		APR		MAY		JUNE		JULY		AUG		SEP		OCT		NOV		DEC						
	DEVELOP STANDARD WORK UNITS (OUTSIDE)																													
	DEVELOP INITIAL STANDARD COST																													
	DESIGN JOB ORDER NUMBERING SYSTEM																													
	DESIGN CREW NUMBERS																													
	REVISE VEHICLE & EQUIPMENT NUMBERS																													
	ASSIGN REA NUMBERING SYSTEM TO MATERIALS																													
	DEVELOP STANDARD WORK UNITS (INSIDE)																													
	REVISE EMPLOYEE NUMBERING SYSTEM																													

COMMENTS:

LEGEND:

- CHECKED 
- ACTUAL 
- UNIFIED 



MANAGEMENT DEVELOPMENT COUNCIL  
ANNUAL MEETING - 1974

Management and Administrative Practices at CFC

I. CFC Organization Structure

- A. Background
- B. Delegations
- C. Staff Functions

Presented by  
Nicholas Walsh, Administra-  
tive Officer  
National Rural Utilities  
Cooperative Finance Corp.

II. Policy Development

- A. Consultative Management
- B. Staff Review
- C. Staff Meetings

III. Wage & Salary Planning and Administration

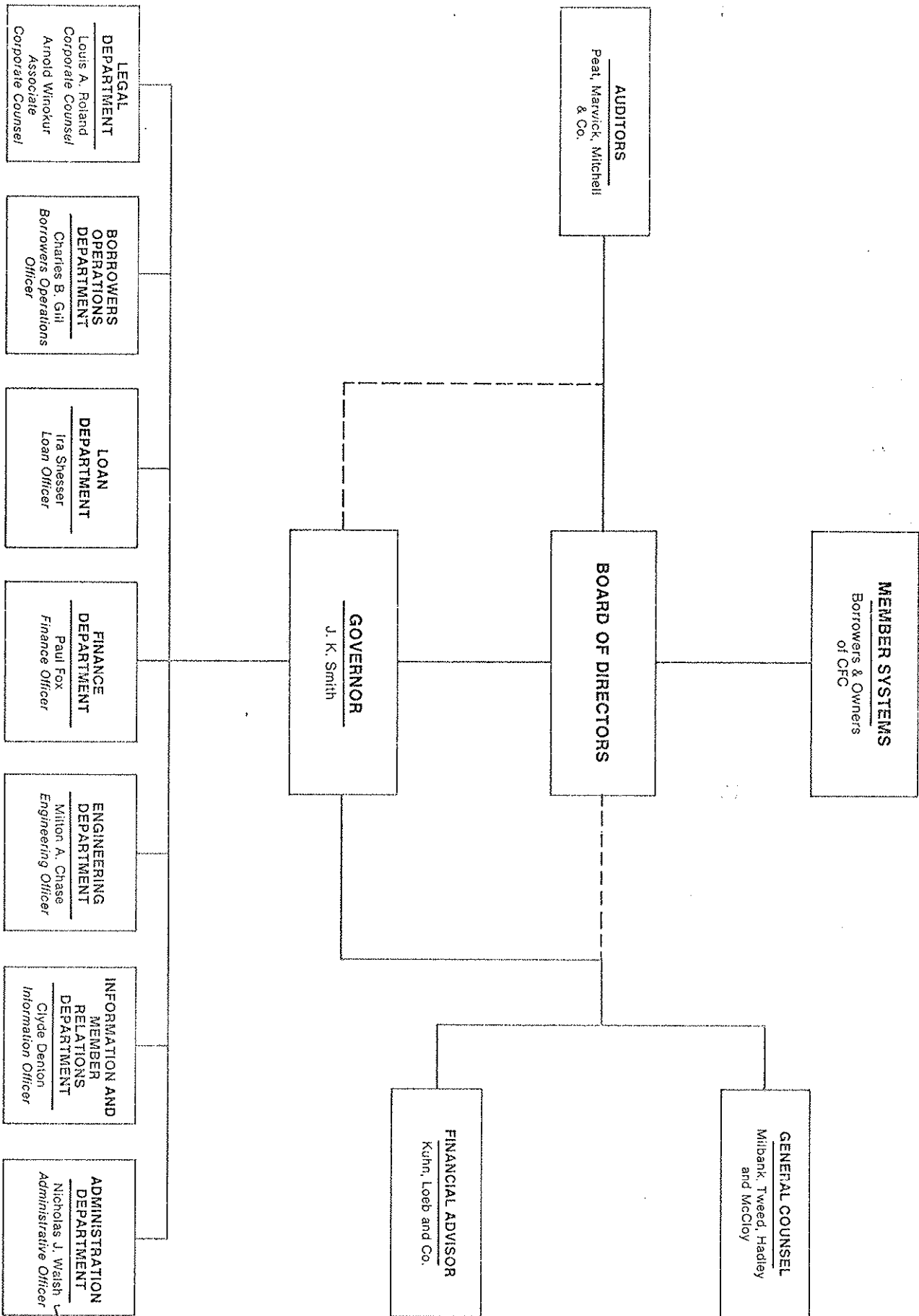
- A. Position Descriptions
- B. Position Evaluation
- C. Compensation Philosophy
- D. Salary Comparability Studies

IV. Internal Federation of Services

- A. Word Processing Center
- B. Electronic Data Processing
- C. General Files
- D. Other

V. Questions & Answers

# CFC ORGANIZATION CHART



## (10) COMMITMENTS AND LOAN APPROVALS (Continued)

	Loans approved but loan contracts not executed	Loan contracts executed but funds not advanced	Total loan commit- ments
1972			
Short-term loans, unsecured	\$ —	13,420,000	13,420,000
Long-term, secured:			
Distribution	5,542,885	26,876,500	32,418,885
Power supply	49,005,000	6,448,000	55,453,000
	<u>\$ 54,547,885</u>	<u>46,744,500</u>	<u>101,291,885</u>
1973			
Short-term loans, unsecured	—	55,381,000	55,381,000
Long-term, secured:			
Distribution	54,867,000	19,248,579	74,115,579
Power supply	142,865,000*	20,756,000	163,621,000
	<u>\$197,732,000</u>	<u>95,385,579</u>	<u>293,117,579</u>

\* Includes loan commitments to two power supply members in the total amount of \$129,307,000. CFC's loans would be increased up to an additional \$40,000,000 in the event, which CFC does not consider likely, that the borrower is required to acquire and install anti-pollution equipment and does not finance such equipment through other sources. In connection with these commitments CFC has also agreed, under certain conditions, to lend

its proportionate share of up to an additional fifteen percent of total construction overrun costs.

It is anticipated that advances of loan funds approximating \$183,000,000 will be made pursuant to the aforementioned commitments and new loan approvals during the fiscal year ending June 30, 1974.

## ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.  
Certified Public Accountants  
1025 Connecticut Avenue, N.W.  
WASHINGTON, D.C. 20036

The Board of Directors  
National Rural Utilities Cooperative  
Finance Corporation:

We have examined the balance sheets of National Rural Utilities Cooperative Finance Corporation as of June 30, 1973 and 1972 and the related statements of income, expenses and net margins, members' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and

such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of National Rural Utilities Cooperative Finance Corporation as of June 30, 1973 and 1972 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

August 15, 1973



# ORGANIZATION POLICY

SECTION	Operations and Administration	NUMBER	710.2
		DATE ISSUED	11-14-73
SUBJECT	Board Meetings - Locations	SUPERSEDES ISSUANCE DATED	

## I. Purpose

To set forth policy concerning the location of meetings of the Board of Directors.

## II. Policy

- A. Regularly scheduled meetings of the Board of Directors will be held in the Washington, D. C. area at the CFC offices subject to availability of suitable space and equipment.
- B. Any meeting of the Board of Directors held outside of the Washington, D. C. area, other than those held in connection with the Annual Meeting of Members, will be a "special" meeting, in addition to regularly scheduled meetings.

## III. Board Establishment of Policy

The policy to hold Board meetings in the Washington, D. C. area at CFC offices was established by the Board of Directors at its meeting June 9, 1971 (page 13 of Minutes), and reaffirmed at its meeting August 21, 1973 (page 4 of Minutes); the policy concerning any meeting held outside the Washington, D. C. area, other than meetings in connection with Annual Meetings of Members, was established at its meeting August 21, 1973 (page 4 of Minutes).

APPROVED

  
\_\_\_\_\_  
President

Distribution: Board of Directors  
Governor  
Department Heads  
Service Coordinators

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

POSITION DESCRIPTION

POSITION: Loan Examiner DATE: 5/3/72  
LOCATION: Loan Department  
REPORTS TO: Chief-Loan Processing Section  
DIRECTS: None except as may be detailed from time to time  
EXEMPT STATUS: Exempt position

PURPOSE OF POSITION:

To provide appraisal of loan application, to determine that applications for loans meet NRUCFC loan policies and standards and that such loans will be repaid; to prepare and assist in the preparation of loan recommendations; and to make recommendations with reference thereto.

DELEGATIONS AND RESPONSIBILITIES:

Within an assigned geographical area and as otherwise assigned, is responsible for performing the following activities, the specific assignments generally reflecting moderate degree of complexity, or unusual situations:

1. Review and examine loan applications submitted by member applicants, including determination that applications comply with CFC policies and procedures; that applicants meet CFC eligibility standards and financial requirements; and that evaluation of supporting financial and operating data show that the proposed loan is adequately secured and the applicant has demonstrated financial ability to meet its obligations and repay the loan. Prepare correspondence as appropriate.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

POSITION DESCRIPTION  
CONTINUATION SHEET

PAGE: 2

DATE: 5/3/72

POSITION: Loan Examiner

2. Prepare docketts recommending approval of loans, including the preparation of supporting data analyses, and of related correspondence.
3. Review requisitions for advance of loan funds to determine their compliance with loan requirements, that they are in proper order for approval, and that required approvals and certifications have been obtained.
4. Maintain files and records of financial and operating data for each applicant and borrower.
5. Consult and work with other Departments as appropriate with respect to assigned delegations and duties.
6. Perform other related and/or collateral duties as may be assigned.

SUPERVISION AND GUIDANCE RECEIVED:

The incumbent in this position is under general supervision of Area Loan Examiner. Opportunity is increasingly afforded for the exercise of independent judgement and action. Work is given regular review for conformance to applicable policies and procedures.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION  
POSITION SPECIFICATION

POSITION: Loan Examiner

DATE: 5/3/72

EDUCATION: A Bachelor's degree is required. A Master's degree in Business Administration is highly desirable. Minor studies in accounting, financial management, statistical analysis, economics and general business management would be regarded as attractive background, but not required.

EXPERIENCE: A minimum of two years of progressively responsible assignments in the field of accounting, banking or finance is required, of which at least six months include experience in the position of *Junior* Loan Examiner. Exceptionally favorable experience may be substituted for this requirement.

KNOWLEDGE: A practical knowledge of finance and lending in the electrical utility field is essential.

ABILITIES & SKILLS: Must have the ability to conduct examinations of loan applications submitted to NRUCFC, to make recommendations for their disposition, and to conduct post-loan operational evaluations and recommend appropriate corrective measures.

ATTITUDE: Must have or develop a personal interest in the ideals and objectives of a non-profit organization that is primarily interested in the future of rural electrification through cooperative enterprise. Must be willing to work on an overtime basis periodically and to travel occasionally.

PERSONAL CHARACTERISTICS: Must be of highest integrity, in good health and have good personal habits.

NRUCFC  
Position Evaluation  
Management-Administrative Groups

Know-How Guide Chart

DEFINITION: Know-How is the sum total to every kind of skill, however acquired, required for acceptable job performance. This sum total which comprises the overall "savvy" has three dimensions - the requirements for:

1. Depth: Practical procedures, specialized techniques, and scientific disciplines.
2. Scope: Know-How of integrating and harmonizing the diversified functions involved in managerial situations occurring in operating, supporting, and administrative fields. This Know-How may be exercised consultatively (about management) as well as executively and involves in some combination the areas of organizing, planning, executing, controlling and evaluating; or parallel areas of member and other outside relations.
3. Human: Active, practicing, face to face skills in the area of human relationships.

MEASURING KNOW-HOW: Know-How has both scope (variety) and depth (thoroughness). Thus, a job may require some knowledge about a lot of things, or a lot of knowledge about a few things. The total Know-How is the combination of scope and depth. This concept makes practical the comparison and weighing of the total Know-How content of different jobs in terms of: "HOW MUCH KNOWLEDGE ABOUT HOW MANY THINGS."

Please, using your best judgment and observation of work demands, give your opinion as to the category (A, B, or C) which best describes the demands and responsibilities for each of the CFC positions (positions, not the person holding the position).



		MANAGEMENT- PROFESSIONAL	ADMINISTRATIVE
1. Depth	A. Basic	2	2
	B. Moderate	3	4
	C. Heavy	5	6

2. Scope	A. Special Field	3	4
	B. Several Related Fields	5	6
	C. Widest Possible Scope	7	9

3. Human	A. Basic: Ordinary courtesy and effectiveness in dealing with others	3	4
	B. Important: Understanding, influencing, and/or serving people are important, but not critical considerations.	5	6
	C. Critical: Alternative or combined skills in understanding, selecting, developing, and motivating people are important in the highest degree. An external relationship is also critical.	7	9

NRUCFC  
Position Evaluation  
Management-Administrative Group

Problem Solving Guide Chart

DEFINITION: Problem Solving is the original "self-starting" thinking required by the job for analyzing, evaluating, creating, reasoning, arriving at and making conclusions. To the extent that thinking is circumscribed by standards, covered by precedents, or referred to others, Problem Solving is diminished, and the emphasis correspondingly is on Know-How.

Problem Solving has two dimensions:

1. The Thinking Environment in which the problems are solved.
2. The Thinking Challenge presented by the problem to be solved.

MEASURING PROBLEM SOLVING: Problem Solving measures the intensity of the mental process which employs Know-How to (1) identify, (2) define, and (3) resolve a problem. "You think with what you know." This is true of even the most creative work... The raw material of any thinking is knowledge of facts, principles and means; ideas are put together from something already there. Therefore, Problem Solving is treated as a percentage utilization of Know-How.

		MANAGEMENT- PROFESSIONAL	ADMINISTRATIVE
1. Thinking Environ- ment	A. Established, somewhat diversified.	1	1
	B. Substantially diversified within clearly defined policy.	3	4
	C. Substantially diversified under only general policy	4	5

2. Thinking Challenge	A. Detailed, repetitive situations	1	2
	B. Adaptation in differing situations	4	5
	C. Creative, imaginative approaches are necessary	7	8

NRUCFC  
Position Evaluation  
Management-Administrative Group

Accountability Guide Chart

DEFINITION: Accountability is the answerability for action and for the consequences thereof. It is the measured effect of the job on end results.

1. Freedom to Act: the degree of personal or procedural control and guidance as defined below.

	MANAGEMENT- PROFESSIONAL	ADMINISTRATIVE
A. Prescribed, established procedures	1	1
B. Under broad direction	3	2
C. Under only broad guidance of Governor	6	3

2. Job Impact on End Results: as defined below:

A. Remote: Informational, recording or incidental services for use by others in relation to some important end result.	2	1
B. Contributory: Interpretive, advisory, or facilitating services for use by others in taking action.	5	3
C. Shared: Participating with others (except own subordinates and superiors), within or outside the organizational unit, in taking action.	9	6
D. Primary: Controlling impact on end results.	14	9

## THE CHALLENGES OF THE MID '70S

Presentation By Bob Kabat, Director  
NRECA Management Services  
Washington, D. C.

Management Development Council  
Myrtle Beach, South Carolina  
May 9, 1974

### INTRODUCTION

It isn't a completely new ball game but the electric utilities, especially we rural electricians, are playing in a different league in the middle '70s. There is more bounce in the ball, and there are more, if not better umpires and they have changed the rules too.

Now you have got to play a better game just to keep from dropping to the cellar. You are just bound to make more errors unless you are right in tune with some of the major changes taking place in our program.

The umpires seem to change their minds every day on the details. Who'd ever thought the spectators would be so boisterous if you pulled a boo-boo or increased admission prices. Let's not forget the ripples that start somewhere else and run through your league and affect your team even if you're hiding in the dugout. Seems like you're playing in a goldfish bowl only it's gotten bigger and contains a lot of new people you have to, or ought to, play ball with. Too, your seasoned players of yesteryear are now beginning to drop out in large numbers just when the game gets strenuous.

Enough of this baseball talk. We are in the electric utility business as cooperatives. Let's look at the characteristics and the critical problems our program has carried over from the past into the '70s - those that the board member can influence, of course. Then, let's see how they look in the '70s when we've got this almost new ball game - a radically changed external environment and some internal factors which have become critical problems.

But before we take a look back and a look ahead, it is interesting to briefly consider some of the comments in a very new study of cooperatives entitled, "Who's Minding the Co-op."<sup>1</sup>

"But while we have praised cooperatives, we actually have paid them little mind. When we last looked, cooperatives were groups of farmers organizing for self-help in the marketplace. It's time to look again. Not only have cooperatives grown, a few to become giants in their field, but there has been occurring a fundamental change in their nature. Both cooperative members and a broader public need to face the question of whether these changes are for the better."<sup>2</sup>

"...It is this uniqueness--a business enterprise that is aggressively democratic and that has more than pecuniary interests--that is the essence of the cooperative movement and that justifies the public's support. It is this uniqueness that is being tampered with today.

"As farmer cooperatives have sought to enhance their competitive strength against the dominance of marketing corporations, they have turned to professional management for assistance. These managers--business executives--have guided many cooperatives to tremendous business expansion, but reliance on that management also is driving the cooperative movement to ruin.

"A business executive, by any other name will act the same. Cooperative managers, hired from the business schools or from corporations, are more concerned with organizational growth and profit than with democratic control and social consciousness. In a position to run the daily business of the large cooperatives during the past 15-20 years, professional management has moved on to become the determining power in making organizational policies and to be recognized as 'the leadership' of the cooperative movement. From that lofty perch, the professionals are asserting their view that the business of cooperatives is business, period.

"In today's modern cooperatives, the presence of management is overshadowing that of membership, and the pecuniary goal has become overriding. In short, the fact of profits has become more important than the way they are made.

"Cooperative leaders--primarily management and academics--would have the public believe that their organizations have outgrown farmers, that the highly-integrated, highly capitalized empires they have erected are beyond the management and policy capabilities of farmers. Cooperatives were formed to help farmers compete against monopolistic food firms, but the new breed of cooperative management looks to corporate executives as its peer group, rather than to farmers, and management is urging that cooperatives join hands with the corporations."<sup>3</sup>

"...The farmer is being left out in the cold by his own cooperative, and as a final step, cooperative 'leadership' increasingly argues that the vast majority of farmers must be content to assume the role in big co-ops that shareholders assume in big corporations.

"To accept this view is to abandon the uniqueness of farmer cooperatives. The process of cooperation is as important as the result of cooperation, and to strip farmers of the former ultimately will strip them of the latter. There is no doubt that strong membership control is cumbersome from a business perspective, slowing down the decision-making process. But that is the price of being a cooperative.

Efficiency has rarely been argued to be a virtue of democracy, but in this country a loss of efficiency has been considered a cheap price to pay for democratic controls. If a cooperative chooses to put efficiency over democracy, to put organizational profits over farmer cooperation, then it is not a cooperative at all, it is just another form of agribusiness."<sup>4</sup>

"The challenge facing farmer cooperatives is to gain competitive strength while increasing membership involvement. To go the other way--to pursue organizational power at the expense of membership control--simply does not serve the public interest. As business executives have taken charge of cooperative affairs and pursued their own organizational interests, family farmers have been pushed out of sight and out of mind. Told by management and government that they lack expertise, farmers have let it happen, let their own business slip out of their hands. Farmers and consumers alike must be mindful of this shift in cooperative control and must turn it around, for it adversely affects the farmer's survival and the competitive structure of agriculture."<sup>5</sup>

"...Indeed, it is the closeness of farmer-members to decision-making that is the historic rationale for the cooperative movement. Clearly, the public's investment in cooperatives is predicated on that relationship. It is essential that cooperatives maintain their elements of being a 'movement,' rather than becoming simply another way or organizing big business, dominated by management."<sup>6</sup>

"Cooperatives have become so business-oriented that it is possible for their members to be unaware that they are patronizing more than just another agribusiness:

'Questioning of respondents often indicated that they were using or had used the services of other cooperatives, particularly rural electrics and some supply and marketing cooperatives without recognizing them as cooperatives. They were certainly patrons and undoubtedly members of those cooperatives without being aware of it. (Cooperatives Financed by Farmers Home Administration Under Economic Opportunity Act, Service Report 104, FCS, USDA, May 1969, p. 30)'

#### "Board of Directors

Cooperative theory and bylaws generally bestow upon directors the responsibility for exercising important decision-making powers. In practice, however, the directors' most significant decision is their choice of a hired manager. Increasingly, cooperative managers are a professional group coming out of the graduate schools rather than from the farm. Obviously, there is good that comes from having professional managers in the organization, but from the perspective of member control of the organization, the professionals pose a dilemma. Professional management in any business organization tends toward the 'take-charge' mentality, and cooperative members increasingly find that their hired



help has indeed taken charge. The average board member finds himself more and more reliant on professional managers who may be expert in business methods, but not necessarily in cooperative principles and farmers' needs."<sup>7</sup>

"The point is that hired management, drawn from business schools and corporations, will pursue its own interest, and that is not necessarily the same as the membership's. Such conflicts might be happily resolved if the farmers really were in charge, but they are not. Managers are doing more than bringing business methods into cooperatives, they steadily are coming to dominate its governing structure and altering the basic concept of the organization."<sup>8</sup>

"Who's in Charge Here?"

Farmer cooperatives legitimately have sought professional management for their business enterprises, but that management is taking charge, and this is not legitimate. The farmers in whose names cooperatives exist, increasingly find themselves on the outside looking in, with little power to affect the organizations that they supposedly own. 'When we talk about member involvement,' said one co-op manager, 'we should not take it to the point of decision-making.'

"If membership involvement cannot be taken to the point of decision-making, what are cooperatives all about? The uniqueness of cooperatives as business organizations--a uniqueness that warrants a significant public investment--has been that they are run by farmers, not just for them. Now, the organizations generally are run by a professional elite. Like their counterparts in the corporate world, cooperative managers sit on each other's boards of directors and establish themselves not only as key policy-makers in their own co-ops, but in the entire cooperative movement. More and more, when cooperative 'leaders' speak out on what's good for cooperatives, the speaker is not a farmer, but a manager."<sup>9</sup>

Although this study makes little reference to rural electric cooperatives, it does provide food for thought.

Let's return to our look at the '60s and '70s in the rural electrification program.

#### THE CHARACTERISTICS AND CRITICAL AREAS OF THE '60S

Now these characteristics and problems of our past do not apply to all rural electrics. Probably, simply because you are here, they apply less to your system than to those other systems who seldom have their board members or managers attend state and national educational meetings.

In a good many systems we have had these problems in the '60s:

##### A. Member Apathy

Lack of interest or participation in the rural electric systems' affairs.

- B. Self Perpetuating Boards - growing older and less representative of the changing membership--in many systems a younger, more urban oriented, wage earner type member. (Which came first the chicken or the egg in these two conditions above? Are they related as cause and effect?)
- C. Concentration of Leadership in a few people on the boards of various organizations in the program through seniority or unwillingness to challenge or to change.
- D. One Man Managers with undeveloped staffs and sometimes uninformed boards.
- E. Inadequate, if not Obsolete, Cooperative Objectives not only for present but the anticipated future, along with ...
- F. A Lack of Standards, Measurements and Controls adequate to evaluate the rural electric system's performance and ...
- G. Resistance to Change A typical phenomenon of human and social groups reinforced because of our isolation, that is, a definite reluctance (even resistance) to change and thus a lag in making changes that seemed obvious to some more alert rural electricians and some of the more progressive power companies.
- H. And we might add, that externally Our Public Image was that we were the REAs--a creature of the government, maybe owned by it, but certainly supported by it to aid the disadvantaged rural people in achieving equality of opportunity with the city folks.

#### THE CHARACTERISTICS AND CRITICAL PROBLEM AREAS OF THE MIDDLE '70S

We have been talking about rapid change in our society now for a number of years at these and other meetings around the country.

We spoke of the geometric rate of increase in knowledge--knowledge, that is, about technology--not human or social relationships.

We've pointed out the change in demographic patterns--the migration to the big cities--the decline in the number of people on farms--the 1970 census figures show a 38% drop in farm population from 1960-1970 and perhaps even more significant a 50% decline in the number of farm children under 14 years of age. These census figures also show total population in suburban areas, where greatest growth has been experienced, now for the first time exceeds that of the central cities--76 million compared to 64 million.

We've emphasized the radical increase in the speed, volume and consequent impact of communications through various media.

Amid all the prophets of doom, there was room, we said, in our ever increasing affluence to hope for solutions. We could have a better life for all

in a better environment, with more freedom of individual choice. We could do it.

Then gradually things began to come unhinged. We were going in all directions at once in social change complicated by a war and widespread unrest.

We've just begun to realize we've come to a most critical point in the Western Democracies. As Walter Lippman says:

"The immediate but fundamental question is whether popular democracy, as we know it, is capable of voting and administering and enforcing the enormously complicated reforms which the modern technological age demands. Is popular mass democracy capable of reforming itself?"

Take a look at the Middle '70s for the rural electricians. Don't you get a gloomy feeling that the rural electric program has to answer a similar question--Can cooperative ownership and operation of electric service facilities survive? Are cooperative members and their boards and managements capable of defining their situation, their problems? Will they then be able to break the bonds of the past and, with the use of the best talent in the program and some innovative approaches, seek solutions to the problems of the '70s that may well otherwise destroy us as a program.

#### WHAT ARE THE '70S CHARACTERISTICS AND CRITICAL PROBLEM AREAS?

In the social-economic background we seem to have lost some of the characteristics and problems of the '60s.

It seems now many want to flee the city--the rural life seems more appealing every day. The attached article (Exhibit A) on "The Small Town - They Didn't Disappear After All", confirms this. The farm population appears in very recent years to have stabilized. The areas surrounding cities are growing faster than the central city as the census figures point out. And we're benefiting from these trends--we're adding new consumers faster than any previous period in recent years--over 400,000 in 1973, almost as many as in Dave Hamil's first term as REA Administrator which was from June, 1956 to February, 1961. The financing of the rural electric seems on the way to a preferential self-financing arrangement.

- A. Capital Requirements Even with negative marketing (encouraging conservation in use of electric energy rather than all out promotion) the growth in sales and consumers served by the rural electricians is going to require tremendous amounts of capital. Part of this increase is a result of inflation and rising costs, which is shared by all the utility industry. Another portion of increased capital needs for rural electricians comes from the developing tendency to joint generation and transmission and pooling arrangements with other cooperatives and investor owned utilities that prudence dictates.

Great increases in capital are now required at high (inflationary) interest rates. This gives rise to a number of related characteristics and problems. It is true that....

- B. Our Public Image now is that of a newcomer to the securities markets, obviously a good sound private business. We are becoming more a part of the electric utility industry and can now be (at least for a time and in some cases) a non-competitive friend of the IOU's except we mustn't forget our consumer orientation and our complete dedication to their needs. Let's not forget the lesson of, "Who's Minding the Co-op." As part of the industry, perhaps with State Commission regulation, and with territorial protection, we can begin to share in the pleasures and pains of our "look alike" big brethren the IOU's for example ....
- C. Our Member Consumers' Apathy may be greater as we grow larger, but then again the new consumers from the city may expect to file their complaints with the Commission not at our District or Annual Meeting. So our consumers may not only have as much apathy but a lot more antagonism. And this is in an inflationary period of rising costs of everything which along with our tremendous capital needs may be threatening our cash position. We will have to raise rates more often unless we can find a way to prove that there is a real advantage in non-profit operation by being much more efficient and still building up capital credits. What's that you say? We cannot pay capital credits until our equity is large enough to satisfy the mortgage requirements? Well then, how do we make those new folks feel like members. Looks like some interrelated problem areas, right? Well that's not all.
- D. You see the Reluctance to Change in our rural electrics makes them a target more and more for pressures from social activists and public policy administrators and agencies of all kinds. The slow changing organization is always getting farther from the crowd and getting more conspicuous. Look for the spread to your systems of the movements that have already affected the big utilities, AT&T, Detroit Edison, Northern States Power, Colorado Public Service, Georgia Power and others.
- E. Pressures of Social Policy and Social Activists will in the mid '70s require the most astute rethinking and getting in line with the times by the boards of our rural electrics. We think the Civil Rights Law Titles VI and VII will bring a host of problems in achieving equality on boards and in employment for minorities and women. The quicker you get your philosophy soundly adjusted to the new era the better because then you can act consistently and efficiently. They won't go away. These aren't temporary insanities. These are a part of evolutionary social change. You've got to catch up! Which brings up one crucial problem in this discussion. Who is going to create these innovative mind-boggling changes? We don't expect leaders to pop up all over on boards of the rural electrics. The most

likely agent of change is that full time employee the board hires - the General Manager, and his helpers. How does this picture look in the Middle '70s?

- F. The Managerial Talent Crisis otherwise known as part of the Leadership Crisis has been discussed for a number of years. We haven't done much to avoid it so it's upon us with an impact we may not survive. The life cycle of the rural electric has reached the time when managers and key employees are dropping out by retirement or mortality at a rate that is frightening. And the individualistic, haphazard way our 980 or so members are seeking to solve the problem of replacement is even more frightening.

Who can doubt that the systems require more able general managers in the mid '70s and more skilled specialists to aid him than ever before? Are our losses being replaced with the talented people we need for these mid 70 problems - the energy crisis, need for almost unbelievable amounts of capital, developing the understanding and support of a more demanding membership and general public, pressure for efficiency and for the economies of size? Observation says NO! We really should know now what our managerial requirements for the program are and how we're going to meet them. We should have plans as a group on how we are going to help each other get the quality and quantity of people we need.

Since the utility industry has to a degree a similar shortage problem, we can't expect to get many of our able people from other segments of it - the IOU's, the PUD's and the Municipals. We've got to know the extent of this crucial problem and have plans to meet it. I submit to you today that this is the chief problem which can make or break our program in all the other crucial areas. We should have a national task force representing all segments of our membership established to research and state the problem and to propose appropriate means to meet it. In the past we have discussed joint recruiting and training, the Talent Pool, and a centralized, computerized employment service. These and other means are now a must. The new NRECA Manager Search and Referral Service described in Exhibit B should be a real help.

Recently Management Quarterly questioned leaders in the rural electric program on "The Most Crucial Problem of Rural Electric Management." We defined "most crucial" as that problem which "unless a satisfactory solution is developed, the rural electric system will disappear in its present form." Is it surprising that the most frequent area mentioned in replies was the quality and effectiveness of the human resources, especially management, in the rural electric program? The consensus was that we need to do more in the whole area of recruiting placement and motivation.

We question whether our retirement and mortality losses in management personnel are being made up by replacements of talented people capable of overcoming the many serious problems we face. We are

inclined to agree with the rural electric leaders who responded to the Quarterly question with:

"We are promoting long time employees to management positions whose only qualifications for the position is tenure and loyalty to the program - and sometimes that loyalty is only to that one 'home' cooperative." and

"Many managers are being employed who are not qualified or do not have the ability to qualify."

One might say that the real problem in improving management in the rural electrics is the fact there are large numbers of systems with management personnel and boards who are not aware at all of modern sophisticated management techniques. They think they are doing all right. We suspect there are a number of investor owned utilities and municipals who could be added to this group too.

To quote again from the MQ survey replies:

"Management of the total program must of upgraded to higher level of expertise with improvements to correspond to advancements in other sectors of business activity."

Really, we're not short of ideas as to what we need. We are short of ways to implement the ideas in our program. As John W. Gardner says:

"When we talk about revitalizing a society, we tend to put exclusive emphasis on finding new ideas. But there is usually no shortage of new ideas, the problem is to get a hearing for them. And that means breaking through the crusty rigidity and stubborn complacency of the status quo."<sup>10</sup>

That is our problem. This group could be most important in finding the way. Not by any smugness or elitism or looking down our noses at those other systems but by studying and coming up with practical approaches to this most difficult problem.

If our human resources personnel need is our most crucial problem, I suggest an all embracing study similar to the long range study committee or the new Capital Credits Committee of all aspects of this critical area. We need to explore needs and ways to make our program strong and resilient. No doubt there needs be a number of sub studies. For example:

- \* We need to develop means to recruit and select talented graduates of our colleges and universities on a national scale.

- \* Not only do we need to apply known professional methods in recruiting and selecting experienced general managers, we need to know how to predict successful management performance in advance in our typical rural electric.
- \* We need to explore training and development needs and methods. The interchange of personnel between systems by means of the referral service and changing positions is not enough. We need to develop joint university-cooperative work-study arrangements not only for professionals and technicians but for potential administrators and managers.
- \* We need ways of assessing the ability potential among all our employees for further development. We need to design then the means on and off the job to develop these potential abilities. We need development programs carefully thought out and tailored to meet the needs of individuals.

As I see it as a program we have to act like a progressive, alert large business enterprise of comparable size, but one always dedicated to the needs of those it serves. This means we must find a way within the distribution and in the power supply systems, in the state and regional associations, in the MDM groups and all other joint efforts to greatly strengthen our human resources. Can we do it?

Our most crucial problem may well be summed up in these two comments:

"We have probably seen more changes in the past three years than in the previous 35 year history. We must adjust our thinking and planning in a hurry if we are to start reacting in time." and Our Most Crucial Problem is:

"To look far enough ahead (20 years) and plan for that future. This includes bulk power supply, financing and REC personnel trained to do the jobs needed."

- G. The Energy Shortage is with us in the '70s probably because our governmental and industry objectives, forecasting and planning were neglected or done badly in the '60s and before. Now you have the opportunity to share in research through ERPI but wouldn't it have been well if all the rural electric boards had stated and implemented a research objective and program years ago. Some of them had the objective all right and a few even did something about it. Shouldn't we be more aggressive in pushing a massive energy research and development program financed by the federal government with the results being shared by the ultimate consumer through some new type of federal preference clause. This should be our "space program" for the decade ahead-but one from which we ensure that the people benefit. We have to bring this dismal view of the near future again back to the theme "it's a people problem" and you and the board members are a key group in the problem. Unless we can....

- H. Improve the Rural Electric Boards' capacity to represent and reflect the total membership of their cooperative we are doomed. The crucial role of the boards is in two interrelated areas: (1) By their actions they can either vitalize or stifle the member relations of the co-op, and (2) By their choice of a strong and capable General Manager and by the Standards and Controls they use to measure results in the system they can impair or enhance the operating and financial results of the cooperative in a way that is equally significant to the long run life of the program.

We should be deeply involved as a whole program in studying the crucial questions of board composition and effectiveness in the same manner proposed previously in these remarks in relation to the management manpower shortage. We need suggested statements of qualifications such as Exhibit C to guide the nominating group in their search for the best possible candidates. We need better ways for boards, perhaps with outside consulting help, to appraise how well they're doing and the end results being achieved by their manager.

We will do our best to help you in solving the problems of the Middle '70s.

#### SUMMARY

In summary these are some of the challenges we face, some of the areas where we still haven't found the answers, some of the areas which will take the best and most innovative thinking of all of us to find meaningful solutions.

#### The Challenges

- \* Federation for Service - In this period of increasing costs, competition and shortages, we must find new and innovative ways to work together more on a small group basis, statewide, regional and perhaps national basis, to provide more of the things we need to survive -- materials, equipment, apparatus, highly skilled specialized professional services -- just to mention a few. We need to control our destiny more and one way to do it is through Federation for Services in areas we probably haven't even dreamed of.
- \* Talent Pool - A way must be found to develop a pool of highly qualified management and supervisory people available for openings as they occur. This will require major changes in the way we're now developing our people in the program, the salaries and fringes we're willing to pay and our willingness to recruit outside the program, and perhaps use more professional help in doing this.
- \* Getting the Best to Serve - Ways must be found to get the very best leadership in rural America to serve on our boards and quickly familiarize them with their important functions and the intricacies of the rural electrification program and encourage them to continually grow and develop to meet the challenges of an uncertain future.



- \* Motivating the Members - New ways must be found to communicate with, involve and develop the support of our changing membership. This will require real innovations in member contacts, member meetings, member publications, member participation and perhaps providing new services which are not now available or which the cooperative can provide more effectively and economically.
- \* Economic Research - More research is needed to determine what is happening to our service areas economically, how they're changing, and what impact this will have on the members and what role the cooperative should play in this. Also, basic economic research is needed to forecast what will happen to our costs, revenue and rates. We need a highly skilled group of economists and statisticians using the best and most sophisticated techniques, models and data processing equipment to do these studies on a continuous basis. We must know more about what our future is so we can prepare for it now.
- \* Long Range Planning - Closely tied to the need for more basic economic research is the need to develop better planning and forecasting to determine our future needs and how we're going to meet them. We need, for example, financial plans and forecasts which are just not developed to obtain loans but to serve as real management tools, used to continually measure progress and replan for the future.
- \* More Effective Controls - Much research is needed to develop controls and standards which can be used to measure the end results we are attaining. In fact, we've got to become more results oriented. Granted there are many variables in our operations, but by using computerized approaches and models we should, by taking into account such variables, be able to develop meaningful standards. We need to know whether they can be better. Boards need to get more results oriented. They probably will if the needed standards and measurements are developed and made available to them and if they are encouraged to raise questions about them.
- \* Area Development - Another look needs to be taken at the role we should play in developing the recreational, commercial and industrial potential of our areas. This is important to the security of our future, perhaps our very existence. We must assume a role of leadership in helping raise the income level of our people and making rural America a better and more attractive place to live through improved community facilities better housing and perhaps through facilitating the provision of cable TV. Leadership in area development is not easy - it requires working with broad and diverse community groups, funding is not always certain and it is complicated technically. Some say it is best to leave it alone and only operate the electric utility. But we must do more than that if we're going to develop strong member support which, when the chips are down, will fight to keep us because we made their area a better place in which to live, we made it possible for more of their children to continue to live in rural America, to come home to rural America.

- \* The Energy Crisis - We, like many of the large utilities, have got to encourage our members to conserve and make more effective use of electricity. But this is only a very small part of the answer to the energy crisis. We must be aggressive in supporting Federal legislation which might help alleviate some of the basic causes of the energy shortages. We must press for the Federal Government to give high priority to needed energy research and development and make our contribution to the efforts of the utility industry to also do this. We must find ways to join and be a part of large power pools and transmission grids. We must continue to press for this on a national basis so as the seasons and time of day change, generation and transmission facilities can be more fully utilized and hopefully we can avoid peaks and valleys which we no longer have the resources to tolerate. We must be aggressive in trying to make these things happen.
  
- \* Motivating our Employees - Much research is needed in such areas as compensation, appraisal and development, job enrichment, etc. in the rural electric program to come up with new and more effective ways to motivate our employees. While effective 10 years ago, some approaches now being used are losing their effectiveness and becoming outmoded. More of our resources should be devoted to research and experimentation in these important areas. We've got to be willing to try new and innovative approaches. We should be studying the best that is happening in industry and adapt that which can be used to the rural electric program.
  
- \* Appraising Ourselves - Boards need better ways to appraise their manager and to continually challenge him to develop and do an ever better job. This, again, is an area where research is needed and the results of the research tried until a more effective way is found to do what is never an easy job. Also, Boards should have available some device that would cause them to take a critical look at themselves, and which would challenge them individually and collectively to develop and provide more effective leadership and direction. There is even less available in this area than on how to appraise the manager. To develop effective ways to do this will take research but, above all, the opportunity to try the results and continually improve them until a practical approach is found.

I'm sure you could add to or delete from this list of major challenges we face as we approach the mid '70s. Whether we develop solutions to them will require the best thinking, the best efforts of all of us.

FOOTNOTES

- <sup>1</sup>Who's Minding the Co-op? A Report on Farmer Control of Farmer Cooperatives, Linda Kravitz, Agribusiness Accountability Project, March, 1974.
- <sup>2</sup>Ibid, p. 1
- <sup>3</sup>Ibid, pp. 1-3
- <sup>4</sup>Ibid, p. 3
- <sup>5</sup>Ibid, p. 6
- <sup>6</sup>Ibid, p. 18
- <sup>7</sup>Ibid, pp. 74-75
- <sup>8</sup>Ibid, p. 81
- <sup>9</sup>Ibid, p. 87
- <sup>10</sup>"Renewal in Societies and Men", Looking Ahead, John W. Gardner, National Planning Association, April, 1963.

## The Small Town

# They Didn't Disappear After All

Ask almost anyone, even government policymakers, what is happening to the American small town and the answer will quite likely be: It is dying, or is already dead. Like the nickel beer and free parking, the small town, the nation's bedrock, is universally accounted among the late and much lamented.

But it isn't true; at least, that is the observation of several leading demographers who concluded at a recent conference that the small town, while perhaps not universally alive and well, is holding on in a great number of cases, is thriving in others, and needs only a beneficent infusion of thoughtful public policy to make it again a viable place to live for Americans who can abide neither city nor suburb.

Most of the data pointing to this conclusion was drawn from the South, still the least citified major region of the country (over half the people of North Carolina, as one compelling example, still live outside towns of 2,500 population or larger), but it was felt the pattern held for the nation as a whole.

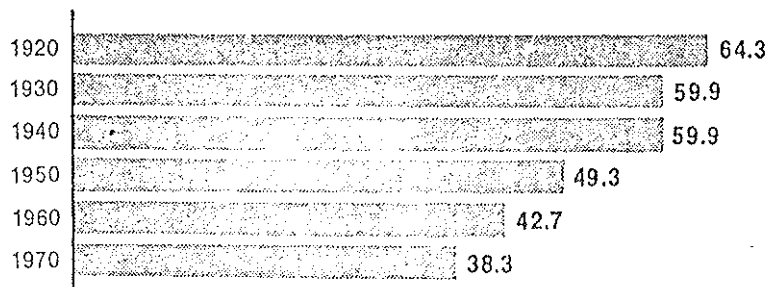
The conference, called "The Future of the Small Town," was held at Oak Ridge, Tenn. It was sponsored by the Southern Newspaper Publishers Association, with assistance from the Oak Ridge Associated Universities and participants from several governmental agencies, including the Tennessee Valley Authority and the Rural Development Service of the Department of Agriculture.

The panelists basically agreed on several points:

- While some towns are in trouble, particularly in the Plains States, the problem is exaggerated, and even government planners may tend to consider money spent on small towns wasted. Too, small town officials and businessmen may feel their town is dying and thus be afraid to take risks, or they may fail to realize aid is available. "Urban renewal for a grain elevator?"



Percentage of U.S. Population  
Living in Small Towns\*



\* 1920-1940 Figures are for all places of 25,000 or less;  
1950-1970 Figures are for places of 25,000 or less outside suburbanized metropolitan areas.

Source: Bureau of Census Data.

"American Gothic," by Grant Wood, from the Art Institute of Chicago

## The Small Town

• With or without government help, towns that try to survive generally do.

• Next to suburbs, small towns are where most Americans say they want to live. Only 9 per cent prefer towns of over a half million. The majority of people in one survey said a small town was the best place to bring up children.

Several factors were said to account for exaggerated reports of the death of small towns. One was point of view. If it is said, for instance, that the rural and farm population dropped from one-half to one-quarter of the total population over the last half century, which is true, then things look bad. On the other hand, if it is considered that the actual number of people living in rural areas increased from 52 million to 54 million over the same period, the picture is one of stability, even growth.

Another factor is definition. What happens, for example, when a little town over the course of a few decades finds itself engulfed in sprawling city growth? It doesn't die; it changes, grows, becomes a bedroom suburb, an industrial area, part of the metropolitan or megalopolitan sprawl. The change is not only the death of innocence, it's the statistical death of a small town, since the town is now part of a metropolitan area.

Thus, one survey found that of the 4,300 towns with populations of 2,500 to 10,000, nearly three-quarters grew in the nineteen-sixties and something over a quarter lost population. Some of these were suburbs, or became suburbs over the course of the decade.

Thus, there are towns with both a country store and a new shopping center, neon lights that the cows can see, tractors pulling up to drive-in banks; clashing symbols of towns in transition as the face of America undergoes alteration.

Yet, independent small towns do survive — although, as Calvin Beale, head of the Population Studies Group in the Department of Agriculture, pointed out, it is sometimes at the expense of jangling intrusions upon the serenity most towns offer as the chief attraction. Thus, Mr. Beale noted, there are juxtapositions like that represented on a sign outside Galesville, Wis., population of 1,200:

WELCOME TO GALESVILLE  
THE GARDEN OF EDEN  
INDUSTRY INVITED

Such invitations point to the crux of the small town dilemma. On the one hand, the blight of the cities and the drabness of the suburbs conspire to drive new residents toward small towns, but the towns can't support them. Services are inadequate, so are schools, roads, health care and cultural diversions. And basically, there are not enough jobs. Yet, the towns hang on, even grow.

In the South, Mr. Beale noted in a study prepared for the conference, population grew in metropolitan towns in the decades quite significantly, in percentage terms, in the very smallest towns — growth that was precisely the opposite of the pattern in the previous decade of the nineteen-fifties.

Of 4,641 Southern towns of under 50,000 population, those with populations of under 500 grew by 15 per cent in the nineteen-sixties, compared to under 5 per cent in the nineteen-fifties. Similarly, towns with 500 to 1,000 population grew 16 per cent in the sixties and 14 per cent in the fifties. On the other hand, the "big" small towns — with populations of 25,000 to 50,000 — grew by 12 per cent in the last decade compared to 28 per cent in the fifties. Towns of 5,000 to 25,000 grew by roughly 12 per cent in the sixties and about 30 per cent in the fifties.

Such revealing but dry statistics go virtually unnoticed among the litany of towns that decline and die, each, it seems, with its own death notice. There is, for example, the compelling current case of Story, Ind., population 112. Story is up for sale: \$34,000 for all seven of its buildings, including a feed mill.

By contrast, the conference heard a case study of two tiny southern Appalachian towns called Tazewell and New Tazewell in Claiborne County, Tenn. Together the two towns created almost 2,000 new jobs in the decade of the nineteen-sixties, although their total combined population was just over 3,000. Early in the nineteen-sixties, the two rather isolated towns undertook a major development program to save themselves from extinction.

With Federal planning and developmental help, over \$3-million in local, state and Federal funds and more than \$6-million in private capital was invested in projects in the two towns. A new industry, a recreational manufacturing plant, was begun by a local man using local investment capital and local labor. This effort was successful and later expanded to encompass manufacturing of mobile homes.

Major improvements were made in streets, water and sewer lines and the electrical system. A new hospital and a nursing home were built, new public housing was constructed and the two cities were awarded urban renewal grants. A vocational school was completed in 1970 and a new industrial park and a general aviation airport were built to attract still more industry.

In 1965, the major manufacturing plants of the two towns employed 495 people and had an annual payroll of \$1.6-million. By 1970, the manufacturing plants employed 1,249 people at a payroll of \$5-million a year. Non-manufacturing employment also grew, with services and trades adding nearly 500 jobs and \$2.8-million to the annual payroll.

The area will continue to grow, authorities say, if it can keep up with demands for water, waste treatment, police and fire protection.

It is interesting to note that New York City has had similar problems.

—WAYNE KING

PROPOSED MANAGEMENT SEARCH  
AND PERSONNEL REFERRAL SERVICE

1. General Manager Search including the following will be given first priority:
  - Meet with interested boards to help them determine the type of person they're looking for - the Job Specifications - and what they are willing to delegate to a Manager - the Statement of Delegations from the Board to the Manager.
  - Utilizing the Specifications and the Delegations to seek out qualified applications inside and outside the program utilizing advertising, the Personnel Referral Records and also the NRECA Consultants' personal knowledge of interested personnel.
  - Screen all applicants against the Specifications and the Delegations and verify background and check references.
  - Refer the most qualified candidates to screening group of Board and advise and assist them in evaluating these candidates to determine whom to interview.
  - Advise and assist the Board in conducting the final interviews, but the Board decides whom to hire.
  
2. Personnel Referral Services including the following will be provided:
  - Maintain Personnel Referral files of candidates interested in management, professional, technical positions in the rural electrification program. Such files will be updated at least annually.
  - Publicize the availability of this service through meetings, advertising inside and outside the program and by contacts with managers who might want to encourage promotable staff members to submit resumes.
  - Develop model Specifications (Statements of Qualifications) for a variety of management, professional and technical positions by the size of the system.
  - Make such specifications available to interested managers who could review and revise them and return them to NRECA, thus giving us a more precise idea of the type of person they are looking for.
  - Refer resumes of qualified applicants to managers returning such Specifications. These resumes will only have references checked to verify accuracy of data submitted.
  - Mail periodically to all rural electric managers a brief description of individuals available from the Personnel Referral Service.
  - Develop and maintain limited contact with colleges, universities and technical schools in search for trained applicants outside the program.

Proposed Management Search and Personnel Referral Service (continued)

3. Other Services to be provided as time and circumstances permit:

- Search Services (as compared to Referral Services) for management, professional and technical personnel below the General Manager level.
- More active recruiting within and outside the program to develop a more comprehensive Personnel Referral Service.
- Computerize the files so the Personnel Referral Services can be made available more readily to meet changing system needs.
- Research and measurements of management success compared to experience, education and other factors.

All of the above services will be available at no charge for professional fees. The only costs for the individual system will be travel, out-of-pocket, telephone, advertising or any other direct charge incurred for the particular requests. Generally, these costs will be fairly minimal.

SUGGESTED STATEMENT OF QUALIFICATIONS FOR A  
RURAL ELECTRIC DIRECTOR

- I. Must meet all requirements spelled out in the bylaws, such as membership, residence, receiving service, etc. (These requirements should be listed from the particular cooperative's bylaws.)
- II. Should possess the following basic beliefs and viewpoints:
  - a. Believe in the cooperative principles and way of doing business including:
    1. The right of people to provide an essential service for themselves.
    2. Member ownership and control.
    3. One member -- one vote
    4. Non-profit operation.
    5. Area coverage.

(others can be added)
  - b. Believe that the energy resources of this country should be developed to provide adequate energy at reasonable cost for all the people and that the cooperative should continually strive to make such reasonable cost power available to its members.
- III. Should possess the following personal characteristics:
  - a. Be a proven leader in his community with broad interests.
  - b. Be of highest integrity and have complete respect of the community in which he lives.
  - c. Have ability to exercise sound judgment and logical reasoning.
  - d. Must not be employed by, or in any way financially interested in a competing enterprise or business selling electric or other energy or electrical supplies, services, appliances, or other items.
  - e. Must be a mature person with sound judgment.
- IV. Should be able to make a meaningful contribution to carrying out the functions of a Director, including:
  - a. Willing and able to give the time to attend -
    1. Meetings of the Board.
    2. State and National Association Meetings
    3. Director Training Programs



Without the background, information and knowledge provided by such meetings, no director can possibly make intelligent choices on all the complex matters coming before a rural electric cooperative board.

- b. Making significant contributions to board meetings by raising pertinent and discerning questions and by contributing innovative ideas and suggestions.
- c. Being willing to study data and other information presented to the board to keep fully informed.
- d. Being willing to support the decisions and actions of the board once arrived at by action of the majority of the board.
- e. Representing the membership on an impartial basis, not just those in his district, but the total membership.
- f. Making every effort to obtain increasing member and public understanding and support of the cooperative and the rural electrification program and being sensitive to their feelings, concerns and attitudes.
- g. Becoming skilled in raising questions about the end results being achieved in certain Key Performance Areas and in interpreting Operating and Financial Reports.
- h. Providing leadership to meet the changing needs of the membership and to improve the quality of rural living and raise income levels in the cooperative's service area.

V. Suggested procedure for Board selecting a Director.

- a. Board President appoints a board committee to serve with the President to review and investigate a list of possible persons to fill the vacancy.
- b. The committee will review such possible appointees against the board-approved statement of qualifications of a director. This committee recommends to the full board several persons who meet the statement of qualifications.
- c. The board discusses and decides on an order of preference for persons to fill the vacancy.
- d. A committee from the Board would call on the persons in the order listed to determine their willingness to serve on the board and to carry out the responsibilities described in the statement of qualifications.

- e. When a person on the list agrees to serve, he shall be declared elected unanimously by the board.

(An alternative to the above would be to appoint a membership committee from the area where the vacancy is and to have them consider individuals, taking into account the board-approved statement of qualifications of a director. They would then recommend to the board individuals they believe qualified in order of preference and the board would complete the process as described above.)

## QUESTIONS AND COMMENTS ON PRESENTATION

### "THE CHALLENGES OF THE MID 70's"

"The address for the Agribusiness Accountability Project is 1000 Wisconsin Avenue, N. W., Washington, D. C. 20007. You can obtain a copy of "Who is Minding the Co-op?" at this address," cost is \$4.50 or \$5.00 and the supply is limited.

QUESTION - C. Overman

Do you really believe the present energy industry--I'm talking about the base supply part--the resource end of it--is a competitive industry any more?

ANSWER - Kabat

I didn't say it was competitive--I said, "I believe in competition."

Viverette

We've got to change the regulators--must be made up of people other than those who are being regulated.

QUESTION - McGregor

I think what you have said in your presentation is about management and key employees. You are putting the finger on these particular groups, particularly management. To me, that's going to leave the rural electric program exactly where the farm co-ops that you were referring to are. It seems to me there is a little conflict of philosophy right there.

ANSWER - Kabat

Right, Frank, I agree with you. I think this is cause for concern and I hope that we can get the quality of people in these positions (management and key employees) who will be qualified and have a sense of social responsibility and keep the interests of the members in mind.

QUESTION - Herriott

You did a good job in drawing out issues that are critical and important to us today. One point of agreement that I have with you on one issue you raised was about change in the board. We've had an average of one new board member a year for the last 21 years. We're getting two changes this year. Now, we're concerned about whether or not the new director coming on the board is as good as the one he replaced. I view the manager's job as being one of training and developing that board, and therefore, when he gets a new director, I think he has an obligation that is as big or bigger than that of selecting a new staff member. That brings us around to--what I'm saying is it's the manager's responsibility as much as it is anybody else's. Now, what are we doing--what can we do in your opinion, about having the professional quality of managers that we need and not fall into the trap which the Agribusiness group says other co-ops have gotten into. In other words, the two people that you said you referred in cooperatives recently, what have you done to insure that those people aren't the kind of managers talked about in the report.

ANSWER - Kabat

That's a good point. I raised the question of philosophy with them and we explored with them in rather extensive interviews, their basic philosophy in the sole area of consumer ownership, consumer control, obviously they didn't have a lot of answers since it is a fairly new concept; however, we made sure as we could that their basic philosophy was all right. Then, we also made every effort we could to point out to them that they would have to do a lot of reading, a lot of studying, a lot of listening, a lot of learning, to pick up the practical aspect of the cooperative.

QUESTION - Kiley

What reaction have you gotten to the facts of duplication of directors on local boards, G & T's, etc.? The concentration of leadership?

ANSWER - Kabat

I think people are beginning to really think about it, and I think they are beginning to make some changes. I have never really thought much about this idea of concentration of leadership, but as I look back on it, there are so many cooperatives with the same person serving as an officer of the cooperative, and also serves in all these outside groups. It doesn't make sense. We even have some cooperatives now that have a policy that the officer can not represent the cooperative in outside organizations and boards. This may be taking an extreme approach. We are beginning to see changes on some of the G & T Boards and on Statewide Boards. I think these may be changes for the best.

QUESTION - Dick Smith

I have a personal interest in the manager selection process. I know that you have done a lot of work in this area. We in REA are very interested in the program which NRECA is instituting in this area.

ANSWER - Kabat

We are looking for just the right research consultant to work with the electric cooperatives. One who knows how to communicate and how to get acceptance.

QUESTION - Dolinger

What will happen if a cooperative ignores title seven requirements?

ANSWER - Kabat

Affirmative action programs should already be developed in all systems. You know, when we talk about minority employment, I don't want you fellows from the Dakotas to lean back and feel self confident--I'm talking about American Indians too. I'm talking about all minority groups. I think some co-ops out in the western part of this country are as vulnerable in this area as the co-ops in the deep South. Women, too. This is all our problems.

MINUTES OF THE 1974 RURAL ELECTRIC MANAGEMENT DEVELOPMENT  
COUNCIL ANNUAL MEETING

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1974  
Attendance

The 1974 Rural Electric Management Development Council Annual Meeting was held at the Landmark Motor Inn at Myrtle Beach, South Carolina, May 7 through 9. Jim Golden, Chairman of the Council, opened the meeting at 9:15 a.m. on May 7, and introduced L. P. "Bill" Beverage, General Manager, Four County Electric Membership Corporation, Burgaw, North Carolina and his Staff Assistant, Wayne Pickett, who had made arrangements for the meeting. Bill discussed the meeting facilities and the recreational opportunities available to the group. Attendance report indicated 41 persons in attendance, representing 23 rural electric systems, REA, NRECA, and CFC.

Invitation  
to  
Douglas  
Leary

Willard Grager stated that he would like for the Council to extend an invitation to Douglas Leary, General Manager, Wake Electric Membership Corporation, Wake Forest, North Carolina, to attend the Council Meeting. Mr. Leary had participated in the Council when he was Staff Assistant at Four County EMC and it was an oversight that Wake Electric had not been invited to become a member during the 1974 membership drive. The Council agreed with Willard and asked that he telephone Mr. Leary and extend an invitation from the Council for him to attend the 1974 Conference which was just getting underway.

Secretary  
Appointed

Jim Golden reviewed the program schedule for the three days and stated that the business session would be held the last morning of the meeting on May 9. He appointed Barbara Deverick to serve as Secretary for the 1974 Council Meeting.

Business  
Session

Treasurer's  
Report

Following the presentation of the regularly scheduled program, the Council met at 11:00 a.m. on May 9 for the business session. Chairman Jim Golden presided. He called for the report of the Treasurer. Bev Hanna, Treasurer, reported that the income for the year had been \$4,341.06 with expenses of \$4,583.00 for a net loss for this year of \$381.57. It was pointed out that \$1,678.77 of the expenses for the year had been for the current research project. The Treasurer thanked the group for the response to the 1974 dues statements. He stated that dues statements were mailed out the first of March and the dues were 100% paid by April 30. He reported that there are currently 30 members of the Council. Copies of the balance sheet and cash statement were provided to members present and are made a part of this report. Chairman Golden thanked the Treasurer for his fine work and asked if there were questions regarding his report. There was a question concerning current obligations of the Council. The Treasurer reported that as of this date, there were only the bills for the annual meeting. A motion was made, seconded, and adopted to accept the Treasurer's report as presented.

1973  
Proceedings

Chairman Golden commented on the recording of the 1974 Council proceedings and thanked the Secretary for the work she had done in preparing the proceedings.

Report of  
Nominating  
Committee

Chairman Golden then recognized Willard Grager to present the report of the Nominating Committee in the absence of the Chairman Charles W. Thompson who was unable to be present for the business session. The report presented by Willard indicated the committee had made the following nominations:

Treasurer	- Bevis Hanna
Program Committee Member	- James M. Hubbard
Nominating Committee Chairman	- Clyde Hukills
Membership Chairman	- Robert Weathers
Membership Committee Member	- Olaf Sandvick
Management Research Chairman	- Ed Gaither

There were no other nominations. Upon motion made by Virgil Herriott and seconded by John Dolinger, and adopted, the Council directed the Secretary to cast a unanimous ballot for the election of these nominated. (See Page 164 for a complete listing of 1975 Council Officers and Committees.)

1975  
Council  
Meeting

Virgil Herriott, Manager of Sioux Valley Empire Electric Association, Coleman, South Dakota, extended an invitation for the Council to meet in Sioux Falls, South Dakota. He stated there were fine facilities in Sioux Falls, including an excellent golf course, good meeting facilities, excellent accommodations, good places to eat, good air travel for Sioux Falls. Clyde Hukills invited the group to meet in Oklahoma City as another possibility. He stated that his cooperative would be happy to host the group in Oklahoma City. A discussion of dates for the 1975 meeting was held. The group decided that the dates for the meeting would be May 6, 7, 8, 1975. A vote was taken on the two possible meeting locations--Sioux Falls and Oklahoma City--which indicated that the group preferred to hold the meeting in Sioux Falls. The Chairman stated that the 1975 Council meeting would be held in Sioux Falls on May 6, 7, 8, 1975. He thanked Virgil and Clyde for their offers of meeting places. Chairman Golden requested the representatives from CFC and NRECA to advise those in charge of meeting arrangements that these dates had been reserved for the Council meeting and that it was hoped that there would be no conflict of meeting dates with NRECA and CFC.

Manage-  
ment  
Research  
Project

Chairman Golden then recognized Ed Gaither, Chairman of the Management Research Committee for further discussion and action relating to the Management Research Project. Ed Gaither stated that the Management Research Committee would like some direction from the Council members. He said that the Research Study was being increasingly referred to as the Ed Wilson study and that this is not necessarily the case. He stated that Mr. Wilson was doing a fine job in the detail work of putting all the ideas together and formalizing them into a format. Gaither stated that the committee felt that it had received some fine comments and suggestions from the conference groups held to discuss the preliminary draft report on the first day of the Council meeting and that it could now proceed with further revision of the report. He stated that all the ideas and

suggestions received would be evaluated and where possible incorporated into the report for a more completed report. He said that the project would never be completed and that the committee would continue to seek input from every member of the Council as it tried to come up with a more finished product. Mr. Gaither reported that the committee had been authorized by the Council to spend up to \$5,000 this year on the project and that it appeared the total expenditures of the committee would be between \$2,500 and \$3,000.

Management  
Research  
Project  
(Cont'd)

The question was raised as to where does the committee go from here. Mr. Gaither stated that so far as the particular project is concerned, it was the thinking of the committee that it was approximately 75% completed. Our plan of action, if the Council directs us to continue, is to call a meeting of the committee as soon as possible after this meeting to put together all the input received at this meeting, revise the report, and then circulate it to all the members for their use, make it available to REA, NRECA, and CFC. We would hope that either NRECA or CFC, or perhaps both, to underwrite the publication and distribution of it for use of rural electricians. Everette Bristol stated he felt this should be done as soon as possible. Chairman Golden called for consensus of the group and hearing no opposition to the completion of the research project as stated by Committee Chairman Gaither stated that formal action was not necessary and directed the committee to proceed with its full implementation of the project.

A discussion on how the information from the project would be utilized indicated that the Council hoped that NRECA would take the work of the project and use it in their training programs. There was brief discussion on a management simulation project being proposed in the state of Missouri.

The question of whether or not the committee had sufficient funds to complete the base project was raised. Chairman Gaither stated that the committee would not need further funding at this point, at least not for another year.

Resolutions  
on  
Charles  
Boulson &  
Warren  
Johnson

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Upon motion made and seconded, the Council unanimously adopted the following resolutions honoring Charles Boulson and Warren Johnson of Sho-Me Power Corporation, Marshfield, Missouri for their faithful service and enthusiastic participation in the activities of the Council.

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RESOLUTION OF APPRECIATION  
TO  
CHARLES BOULSON

WHEREAS, Charles Boulson, General Manager of Sho-Me Power Corporation, Marshfield, Missouri, has been a member of the Rural Electric Management Development Council since its organization almost twenty years ago, and

WHEREAS, he has provided leadership within the Council through his service as Council Chairman, and his work in the development of the organizational structures of the Council, including the establishment of the viewpoints and objectives of the Council, and

WHEREAS, he has participated in many research projects in management during his membership in the Council, and shared the results with Council members in the spirit of fostering continuing improvement and development of management skills and knowledge within the rural electric program, and

WHEREAS, he has followed the principles of good management within Sho-Me Power Corporation during his tenure as General Manager, thus indicating his commitment to these principles and therefore serving as a good example to other managers and electric cooperatives,

NOW THEREFORE BE IT RESOLVED that the Rural Electric Management Development Council assembled May 9, 1974 at Myrtle Beach, South Carolina, express its sincere and heartfelt appreciation to CHARLES BOULSON for his many years of dedicated support, creative effort and encouragement to the Council, to the individuals with whom he has been associated in the rural electric program, and wish him continued success and much happiness as he retires from his position of General Manager of Sho-Me Power Corporation.

RESOLUTION OF APPRECIATION  
TO  
WARREN JOHNSON

WHEREAS, Warren Johnson, Manager of Member Services at Sho-Me Power Corporation, Marshville, Missouri, has been a member of the Rural Electric Management Development Council since its organization almost twenty years ago, and

WHEREAS, he has provided leadership within the Council, particularly as it related to role of the staff assistant and organizational planning within rural electric cooperatives, and

WHEREAS, he has participated in many research projects in management during his membership in the Council and shared the results with Council members in the spirit of fostering continuing improvement and development of management skills and knowledge within the rural electric program, and

WHEREAS, he has put into practice the principles of good management during his tenure as Manager of Member Services at Sho-Me Power Corporation, thus indicating his commitment to these principles and therefore serving as a good example to other managers and electric cooperatives,

NOW THEREFORE BE IT RESOLVED that the Rural Electric Management Development Council assembled May 9, 1974 at Myrtle Beach, South Carolina, express its sincere and heartfelt appreciation to WARREN JOHNSON for his many years of dedicated support, aid, assistance, and encouragement to the Council, the individuals with whom he has been associated in the rural electric program, and wish him continued success and much happiness as he retires from his position of Manager of Member Services at Sho-Me Power Corporation.



Chairman Golden thanked Bill Beverage and Wayne Pickett for the very fine work they had done in arranging for the meeting and Jim Kiley, Chairman of the Program Committee and members of his committee for the very fine program which they had planned.

There being no further business to come before the meeting, the Chairman declared the meeting adjourned.

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Barbara Deverick, Secretary

THE RURAL ELECTRIC MANAGEMENT  
DEVELOPMENT COUNCIL

OPERATING STATEMENT

PERIOD ENDING APRIL 30, 1974

Income:

1973 Dues (Schedule A) . . . . .	\$ 600.00
1974 Dues (Schedule B) . . . . .	3,000.00
Interest from Investment . . . . .	584.26
Sale of Koontz' Book . . . . .	<u>20.00</u>
Total . . . . .	\$4,204.26

Expenses:

Professional Fees and Expenses:

Harold Koontz . . . . .	\$1,575.88
Sioux Valley - Books, Folders, etc. . . . .	1,026.94

Research Committee:

July 26 - 27 Meeting . . . . .	823.58
October 18 - 19 Meeting . . . . .	799.47
February 18 and 28 Meeting . . . . .	55.72

Others:

Printing and Postage - 1973 Booklets . . . . .	135.83
1973 Meeting Room - Coffee Service, etc. . . . .	162.37
Interest . . . . .	<u>6.04</u>
Total . . . . .	\$4,585.83
Net Loss . . . . .	<u><u>\$ (381.57)</u></u>

THE RURAL ELECTRIC MANAGEMENT  
DEVELOPMENT COUNCIL

BALANCE SHEET

APRIL 30, 1974

ASSETS

Current:

Cash in Bank . . . . .	\$ 264.12
Investments (Note 1) . . . . .	<u>13,570.28</u>
Total . . . . .	<u><u>\$13,834.40</u></u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity:

Retained Earnings . . . . .	\$14,215.97
Net Loss . . . . .	<u>(381.57)</u>
Total . . . . .	<u><u>\$13,834.40</u></u>

Note 1 - Investments:

The Farmers State Bank - Fort Morgan, Colorado

Time Certificate of Deposit 3374. . . . . (5 1/2% Compounded 90 Days - Due May 6, 1974)	\$ 5,070.28
Time Certificate of Deposit 3512. . . . . (5 1/2% Compounded 90 Days - Due June 18, 1974)	5,000.00
Time Certificate of Deposit 3558. . . . . (5 1/2% Compounded 90 Days - Due July 10, 1974)	<u>3,500.00</u>
Total . . . . .	\$13,570.28

THE RURAL ELECTRIC MANAGEMENT  
DEVELOPMENT COUNCIL

SCHEDULE A

1973 Dues Paid After April 20, 1973

North Arkansas Elec. Coop. Inc. . . . .	05-14-73 . . . . .	\$ 100.00
Jackson Purchase Rural Elec. . . . .	06-18-73 . . . . .	100.00
East Central Elec. Assoc. . . . .	08-06-73 . . . . .	100.00
Carroll Elec. Coop. Corp. . . . .	08-06-73 . . . . .	100.00
Tri-County Elec. Coop. Inc. . . . .	08-10-73 . . . . .	100.00
Carroll Elec. Membership Corp. . . . .	08-13-73 . . . . .	100.00
Total . . . . .		<u>\$ 600.00</u>

SCHEDULE B

1974 Dues Paid as of April 30, 1974

Morgan County REA . . . . .	02-27-74 . . . . .	100.00
Ozarks Elec. Coop. Corp. . . . .	03-01-74 . . . . .	100.00
Blue Ridge Elec. . . . .	03-04-74 . . . . .	100.00
Carroll Elec. Coop. Corp. . . . .	03-04-74 . . . . .	100.00
Cotton Electric Cooperative . . . . .	03-04-74 . . . . .	100.00
Morgan County REMC . . . . .	03-04-74 . . . . .	100.00
Slope Elec. Coop., Inc. . . . .	03-04-74 . . . . .	100.00
Yampa Valley Elec. Assoc. Inc. . . . .	03-04-74 . . . . .	100.00
Cass County Elec. Coop., Inc. . . . .	03-06-74 . . . . .	100.00
Sho-Me Power Corp. . . . .	03-07-74 . . . . .	100.00
Kay Elec. Coop. . . . .	03-08-74 . . . . .	100.00
Adams Elec. Coop., Inc. . . . .	03-11-74 . . . . .	100.00
East Central Elec. Assoc. . . . .	03-11-74 . . . . .	100.00
North Arkansas Elec. Coop. Inc. . . . .	03-11-74 . . . . .	100.00
West Plains Elec. Coop. Inc. . . . .	03-11-74 . . . . .	100.00
Cornhusker PPD . . . . .	03-15-74 . . . . .	100.00
Cumberland Elec. Memb. Corp. . . . .	03-15-74 . . . . .	100.00
Tri-County Elec. Coop. Inc. . . . .	03-15-74 . . . . .	100.00
White River Valley Elec. Coop. Inc. . . . .	03-15-74 . . . . .	100.00
Kem Elec. Coop. Inc. . . . .	03-18-74 . . . . .	100.00
Mecklenburg Elec. Coop. . . . .	03-18-74 . . . . .	100.00
San Isabel Elec. Assoc. Inc. . . . .	03-18-74 . . . . .	100.00
Sioux Valley Empire Elec. Assn., Inc. . . . .	03-18-74 . . . . .	100.00
Carroll Elec. Memb. Corp. . . . .	03-18-74 . . . . .	100.00
Four County Elec. Memb. Corp. . . . .	03-21-74 . . . . .	100.00
Chugach Elec. Assn., Inc. . . . .	03-25-74 . . . . .	100.00
Shenandoah Valley Elec. Inc. . . . .	03-25-74 . . . . .	100.00
Central Kansas Elec. Coop. Inc. . . . .	04-01-74 . . . . .	100.00
Douglas County EMC . . . . .	04-08-74 . . . . .	100.00
Jackson Purchase REC . . . . .	04-29-74 . . . . .	100.00
Total . . . . .		<u>\$3,000.00</u>

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

ATTENDANCE RECORD

Cooperative	Years							
	'67	'68	'69	'70	'71	'72	'73	'74
Adams Electric Coop					0	X	X	X
Blue Ridge EMC	X	X	X	X	X	X	X	X
Carroll Electric Cooperative Corporation							X	X
Carroll Electric Membership Corporation							X	X
Cass County Electric Coop	X	X	X	0	X	X	X	X
Central Kansas	X	X	X	X	X	0	X	0
Chugach Electric Assn., Inc.								0
Cornhusker PPD	X	X	X	0	X	X	0	0
Cotton Electric Cooperative								X
Cumberland EMC	X	X	X	X	0	0	0	X
Douglas County EMC		X	X	X	X	0	X	X
East Central Electric Association							X	X
Four County EMC	X	X	0	X	0	0	X	X
Jackson Purchase REC			X	X	0	X	0	X
Kay Electric Coop	X	X	X	X	0	X	X	X
KEM Electric Coop	X	X	X	X	X	0	X	X
Mecklenburg Electric Coop	X	X	X	X	0	0	X	X
Morgan County REA (Colorado)		X	X	0	X	X	X	X
Morgan County REMC (Indiana)				X	0	0	X	X
North Arkansas Electric Coop	X	X	X	X	X	X	0	
Ozarks Electric Coop	X	X	X	X	X	X	X	X
San Isabel Electric Services	X	X	X	0	X	X	X	X
Shenandoah Valley Electric Coop	X	X	X	X	0	0	X	X
Sho.-Me Power Corp.	X	0	X	X	X	X	X	
Sioux Valley Empire Electric Assn.	X	X	X	X	X	X	X	X
Slope Electric Coop	X	X	X	0	X	X	X	0
Tri-County Electric Cooperative, Inc.							X	0
West Plains Electric Coop	X	X	X	X	X	X	X	X
White River Valley Electric Coop	X	X	X	X	X	X	X	X
Yampa Valley Electric Assn.	X	X	X	X	X	X	X	X

Code: X - Paid - Attended  
 0 - Paid - Did Not Attend

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:

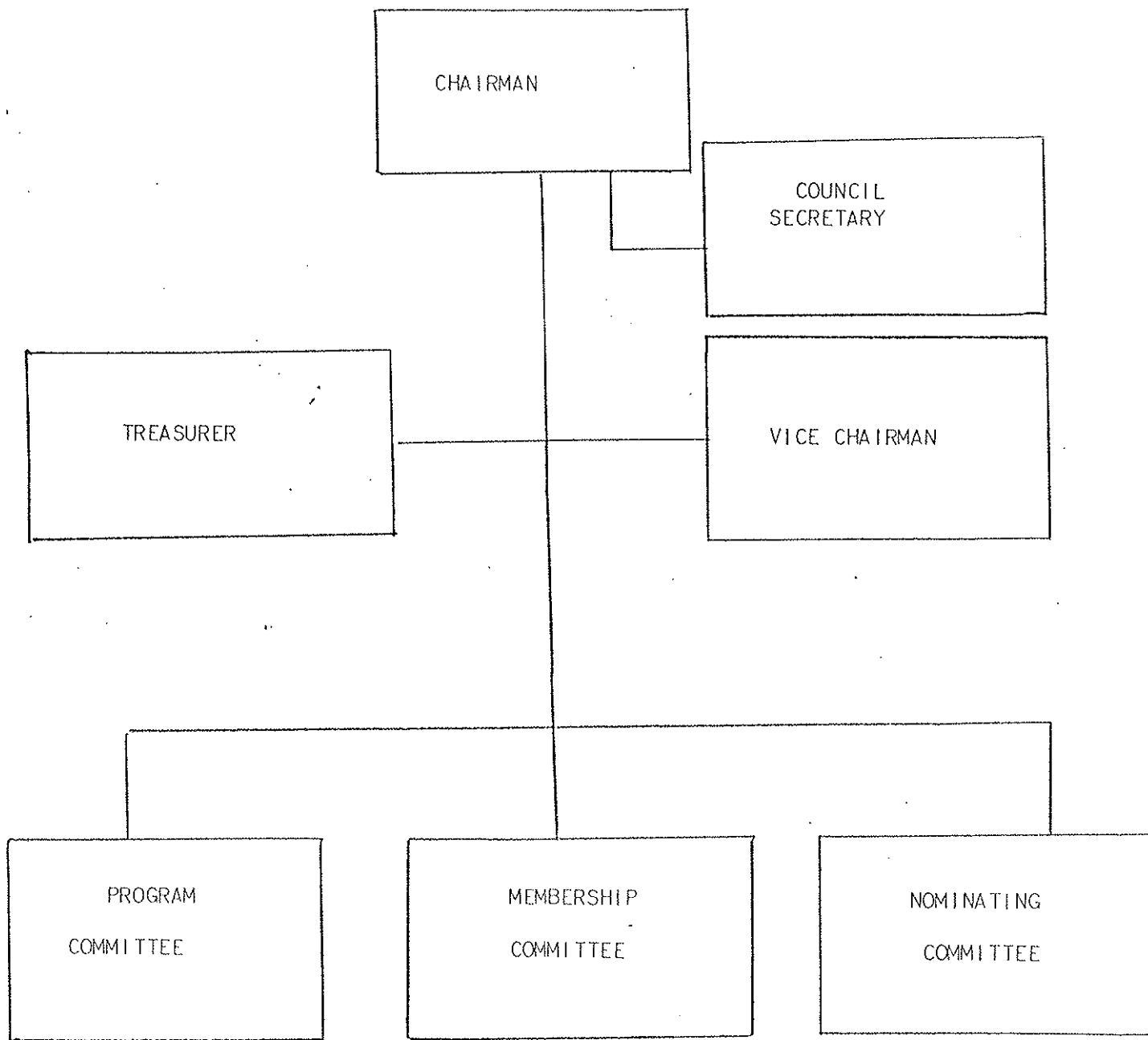
- A. Active and associate member-systems shall pay an annual membership dues of \$100.00, whether or not they attend the annual meeting, and shall

## 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  
1975 DEVELOPMENT COUNCIL

Chairman - James Golden	Term expires in 1975
Vice Chairman - Charles Overman	Term expires in 1976
Treasurer - Bevis Hanna	Term expires in 1977
Secretary -	Appointed annually by Chairman

PROGRAM

Chairman - James Kiley	Term expires in 1975
James M. Hubbard	Term expires in 1977
Everett Bristol	Term expires in 1975
Mark McNeil	Term expires in 1976

NOMINATING

Chairman - Clyde Hukills	Term expires in 1977
Richard Selinger	Term expires in 1975
Willard Grager	Term expires in 1975
Millard Goff	Term expires in 1976

MEMBERSHIP

Chairman - Robert Weathers	Term expires in 1977
Clifford Robinson	Term expires in 1975
Virgil Herriott	Term expires in 1976
Olaf Sandvick	Term expires in 1977

MANAGEMENT RESEARCH

Chairman - Ed Gaither	Term expires in 1977
James Kiley	Term expires in 1975
Willard Grager	Term expires in 1976
Cecil Viverette	Term expires in 1976

- 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.