

SUMMARY

1963 MANAGEMENT CONSULTATION

TOWN HOUSE HOTEL
KANSAS CITY, KANSAS

THIS REPORT CONTAINS A SUMMARY REPORT OF THE 1963 MANAGEMENT CONSULTATION HELD IN KANSAS CITY, KANSAS, MAY 15, 16, AND 17. A COMPLETE COPY OF EACH PRESENTATION MADE AT THE CONSULTATION WAS AVAILABLE TO ALL PARTICIPANTS AT THE CONSULTATION WITH THE EXCEPTION OF BOB JOHANSON'S TALK WHICH IS REPRODUCED IN TOTAL IN THIS REPORT.

THE IDEAS ADVANCED DURING THE SESSION FOR FURTHER CLARIFICATION OF OBJECTIVES ARE INCLUDED AT THE END OF THE REPORT.

A SPECIAL WORD OF APPRECIATION IS EXPRESSED TO JIM KELLY FOR PREPARATION OF READING LISTS, AND TO BOTH JIM KELLY AND ERIC NICOL FOR THEIR WORK IN THE PLANNING AND DEVELOPMENT OF THE PROGRAM, AND IN LEADING THE DISCUSSION SESSIONS.

BARBARA DEVERICK, STAFF ASSISTANT, AND I WISH TO THANK EACH OF YOU FOR YOUR PARTICIPATION AND SAY THAT IT WAS A FINE EXPERIENCE SERVING AS CO-CHAIRMAN OF THE 1963 MANAGEMENT CONSULTATION.

JAMES GOLDEN, GENERAL MANAGER OF THE YAMPA VALLEY ELECTRIC ASSOCIATION, STEAMBOAT SPRINGS, COLORADO AND EVERETT BRISTOL, HIS STAFF ASSISTANT, WERE ELECTED TO SERVE AS CO-CHAIRMAN OF THE NEXT CONSULTATION.

C. E. VIVERETTE, GENERAL MANAGER
BLUE RIDGE ELECTRIC MEMBERSHIP
CORPORATION
LENOIR, NORTH CAROLINA

REGISTRATION FOR 1963 MANAGEMENT CONSULTATION

ALASKA

LEROY J. SHULTZE, MANAGER
CHUGACH ELECTRIC ASSOCIATION
ANCHORAGE, ALASKA

ARKANSAS

JACK COCHRAN, MANAGER
NORTH ARKANSAS ELECTRIC COOPERATIVE, INC.
SALEM, ARKANSAS

BOB WEATHERS, ASSISTANT TO THE MANAGER

COLORADO

JAMES A. GOLDEN, MANAGER
YAMPA VALLEY ELECTRIC ASSOCIATION
STEAMBOAT SPRINGS, COLORADO

EVERETT BRISTOL, STAFF ASSISTANT

GEORGIA

R. J. KELLY, MANAGER
JACKSON ELECTRIC MEMBERSHIP CORPORATION
JEFFERSON, GEORGIA

T. D. STOREY, STAFF ASSISTANT

ILLINOIS

ADAMS ELECTRICAL COOPERATIVE
CAMP POINT, ILLINOIS

HARVEY SCHMIDT, STAFF ASSISTANT

KANSAS

JACK GOODMAN, MANAGER
CENTRAL KANSAS ELECTRIC COOPERATIVE
GREAT BEND, KANSAS

MISSOURI

CHARLES E. BOULSON, GENERAL MANAGER
SHO-ME POWER CORPORATION
MARSHFIELD, MISSOURI

WARREN JOHNSON, STAFF ASSISTANT

MISSOURI (CONTINUED)

WHITE RIVER VALLEY ELECTRIC COOPERATIVE
BRANSON, MISSOURI

CLIFFORD ROBERTSON, EXECUTIVE ASSISTANT

NEBRASKA

"WES" W. SCHUTZ, MANAGER
CORNHUSKER RURAL PUBLIC DISTRICT
COLUMBUS, NEBRASKA

IRVIN H. SMITH, GENERAL MANAGER
EASTERN NEBRASKA PUBLIC POWER DISTRICT
SYRACUSE, NEBRASKA

ROBERT WAY, DIRECTOR OF OPERATIONS

NORTH CAROLINA

CECIL VIVERETTE, GENERAL MANAGER
BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION
LENOIR, NORTH CAROLINA

MRS. BARBARA DEVERICK, STAFF ASSISTANT

WAKE ELECTRIC MEMBERSHIP CORPORATION
WAKE FOREST, NORTH CAROLINA

J. J. HART, OFFICE MANAGER - STAFF ASSISTANT

L. P. "BILL" BEVERAGE
FOUR COUNTY ELECTRIC MEMBERSHIP CORPORATION
BURGAW, NORTH CAROLINA

DOUGLAS LEARY, STAFF ASSISTANT

THOMAS B. SLADE, III, MANAGER
HALIFAX ELECTRIC MEMBERSHIP CORPORATION
ENFIELD, NORTH CAROLINA

JAMES ELLEN, STAFF ASSISTANT

NORTH DAKOTA

WILLARD GRAGER, MANAGER
CASS COUNTY ELECTRIC COOPERATIVE, INC.
KINDRED, NORTH DAKOTA

GEORGE CORNOG, MANAGER
KEM ELECTRIC COOPERATIVE, INC.
LINTON, NORTH DAKOTA

NORTH DAKOTA (CONTINUED)

NORMAN CROSS, MANAGER
SLOPE ELECTRIC COOPERATIVE
NEW ENGLAND, NORTH DAKOTA

RICHARD SELINGER, STAFF ASSISTANT

OKLAHOMA

LOUIS B. STRONG, MANAGER
KAY ELECTRIC COOPERATIVE
201 EAST BLACKWELL, BOX 607
BLACKWELL, OKLAHOMA

CLYDE HUKILLS, ASSISTANT MANAGER

SOUTH DAKOTA

VIRGIL HERRIOTT, MANAGER
SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION
COLMAN, SOUTH DAKOTA

JAMES KILEY, ASSISTANT MANAGER

TED ANDERSON, MANAGER
INTERCOUNTY ELECTRIC ASSOCIATION
MITCHELL, SOUTH DAKOTA

LLOYD OLESON, STAFF ASSISTANT

TENNESSEE

WESLEY M. JACKSON, MANAGER
TENNESSEE VALLEY ELECTRIC COOPERATIVE
SAVANNAH, TENNESSEE

JOHN R. DOLINGER, GENERAL MANAGER
CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CLARKSVILLE, TENNESSEE

NEVIN MCKINNON, STAFF ASSISTANT

VIRGINIA

MECKLENBURG ELECTRIC COOPERATIVE
CHASE CITY, VIRGINIA

ELWOOD T. BLACKWELL, STAFF ASSISTANT

WASHINGTON, D. C.

JAMES D. KELLY, COORDINATOR
MANAGEMENT CONSULTING SERVICES
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
2000 FLORIDA AVENUE, N. W.
WASHINGTON 9, D. C.

WASHINGTON, D. C. (CONTINUED)

CLYDE AULTZ, MANAGEMENT CONSULTANT
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
2000 FLORIDA AVENUE, N. W.
WASHINGTON 9, D. C.

RAY McDONALD, MANAGEMENT CONSULTANT
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
2000 FLORIDA AVENUE, N. W.
WASHINGTON 9, D. C.

OTHER

ERIC NICOL
ROGERS, SLADE AND HILL
551 FIFTH AVENUE
NEW YORK 17, NEW YORK

CLARK HINSDALE, EXECUTIVE ASSISTANT
EASTERN STATES FARMERS EXCHANGE
26 CENTRAL STREET
WEST SPRINGFIELD, MASSACHUSETTS

ROBERT E. JOHANSON, DIRECTOR
MANAGEMENT CONSULTING DIVISION
CONSUMERS COOPERATIVE ASSOCIATION
KANSAS CITY, MISSOURI

MANAGEMENT CONSULTATION
KANSAS CITY, KANSAS

TOWN HOUSE HOTEL
MAY 15 - 17, 1963

PROGRAM

MANAGERS

WEDNESDAY - - MAY 15

- 8:00 - 9:00 A. M. REGISTRATION
- 9:00 - 10:00 A. M. (MANAGERS AND STAFF ASSISTANTS WILL MEET JOINTLY FOR WEDNESDAY'S PROGRAM.) GET ACQUAINTED - DISCUSSION OF OBJECTIVES AND PURPOSES OF CONSULTATION.
- ELECTION OF CHAIRMAN FOR NEXT YEAR.
ELECTION OF SCREENING COMMITTEE MEMBER.
- 10:00 - 10:15 A. M. COFFEE BREAK
- 10:15 - 11:00 A. M. VIEWPOINTS AND PHILOSOPHIES IN REGARD TO ROLE OF COOPERATIVES IN THE COMMUNITY.
ROBERT E. JOHANSON, DISCUSSION LEADER
- 11:00 - 12:00 PANEL - DISCUSSION OF WHAT THE BASIC PHILOSOPHY OF OUR BUSINESS ORGANIZATION SHOULD BE.
ERIC NICOL, CHAIRMAN LLOYD HOLLISTER
JIM KELLY IRVIN SMITH
- 1:30 - 3:30 P. M. JOINT SESSION. WHAT CONSTITUTES MANAGEMENT DEVELOPMENT IN OUR CONSUMER-OWNED ELECTRIC SYSTEMS.
JAMES GOLDEN, DISCUSSION LEADER
CHARLES BOULSON
CLYDE HUKILLS
- 3:30 - 3:45 P. M. COFFEE BREAK.
- 3:45 - 5:00 P. M. USE OF VISUAL AIDS IN EMPLOYEE DEVELOPMENT.
DISCUSSION LEADER - ROBERT WAY, OPERATIONS DIRECTOR
EASTERN NEBRASKA PUBLIC POWER
DISTRICT
- 7:00 - 9:00 P. M. VISIT DISPLAY OF MATERIALS AND FORMS AND DISCUSS USES.

THURSDAY - - - - -MAY 16
MANAGEMENT DEVELOPMENT

- 8:30 - 10:00 A. M. METHODS AND PROGRAMS - THE RESULTS APPROACH.
JIM KELLY, DISCUSSION LEADER
- 10:00 - 10:15 A. M. COFFEE BREAK

MANAGER'S PROGRAM

THURSDAY - - -MAY 16 (CONTINUED)

10:15 - 12:00 PANEL - MANAGER'S ROLE IN MANAGEMENT - EMPLOYEE DEVELOPMENT.

"A BASIC APPROACH FOR THE CONSUMER- OWNED ORGANIZATION"

JOHN R. DOLINGER

"WHAT CAN PLANNED EXPERIENCES CONTRIBUTE TO DEVELOPMENT?"

LEROY J. "BUD" SHULTZE

"WHAT DIFFICULTIES CAN BE EXPECTED IN A PROGRAM FOR
DEVELOPING DEPARTMENT MANAGERS AND OTHER SUPERVISORS?"

R. J. KELLY

JIM KELLY, ADVISOR

PLANNING FUNCTION

1:30 - 3:00 P. M. CHANGES AND DEVELOPMENTS IN THE MANAGEMENT FUNCTION OF
PLANNING.

"FUNDAMENTALS OF PLANNING"

ERIC NICOL, DISCUSSION LEADER

3:00 - 3:15 P. M. COFFEE BREAK

3:15 - 5:00 P. M. PANEL - DISCUSS PLANNING IN RURAL ELECTRIC COOPERATIVES.

"MANAGER'S RESPONSIBILITY FOR EFFECTIVE BOARD PLANNING"

VIRGIL HERRIOTT

"BROADENING THE EFFECTIVENESS OF SYSTEM PLANNING"

JACK COCHRAN

"RELATION OF LONG RANGE PLANNING TO OPERATIONAL PLANNING"

L. P. "BILL" BEVERAGE

ERIC NICOL, ADVISOR AND INNOVATOR

7:00 - 9:00 P. M. BULL SESSION. DISCUSS SOME OF THE THINGS WHICH COOPS ARE
DOING THAT ARE GETTING GOOD RESULTS. KICK AROUND ANY
PROBLEMS WHICH ANYONE MAY HAVE.

FRIDAY - - - - - MAY 17

8:30 - 10:00 A. M. INNOVATIONS IN CONTROLS AND RESPONSIBILITY ACCOUNTING.
ERIC NICOL, DISCUSSION LEADER

10:00 - 10:15 A. M. COFFEE BREAK

10:15 - 12:00 IDEAS FOR IMPROVED PERFORMANCE APPRAISALS AND DEVELOPMENT
COUNSELING.

JIM KELLY, DISCUSSION LEADER

12:00 - 2:30 P. M. JOINT LUNCHEON AND SUMMARY.

1963 MANAGERS SECTION SUMMARY

BY WESLEY JACKSON

DURING THE FIRST HALF OF THE FIRST MORNING SESSION JIM KELLY REVIEWED CRITERIA, OBJECTIVES, AND RESULTS OF OUR CONSULTATION PROGRAM. HE POINTED OUT A NEED FOR THE DEVELOPMENT OF A STATEMENT OF BELIEFS. THIS WE TRIED TO DO, BUT TIME DID NOT PERMIT. A MAJOR EFFORT WAS MADE IN THIS DIRECTION ON THURSDAY EVENING. THE RESULTS OF THE THURSDAY EVENING'S EFFORTS HAVE BEEN RECORDED AND TURNED OVER TO BARBARA DEVERICK.

ELECTION OF NEXT YEAR'S LEADERS WAS HELD WITH JIM GOLDEN BEING ELECTED CHAIRMAN OF THE MANAGERS SECTION. EVERETT BRISTOL WILL HEAD THE STAFF ASSISTANTS SECTION. WILLARD GRAGER WAS ELECTED A MEMBER OF THE SCREENING COMMITTEE FOR THREE YEARS.

DURING THE SECOND HALF OF THE FIRST MORNING BOB JOHANSON GAVE AN INTERESTING PRESENTATION ON THE ROLE OF THE COOPERATIVE IN THE COMMUNITY. HE STATED THAT "THE PRIMARY ROLE IS ECONOMIC; THE SECONDARY ROLE IS SOCIOLOGICAL." HE POINTED OUT SOME IMPORTANT BASIC FACTS THAT WE MAY HAVE FORGOTTEN - HE POINTED OUT THAT WE WERE A LOCALLY OWNED INDUSTRY AND THAT WE COULD NOT PULL UP STAKES AND MOVE AWAY. OUR PRIMARY OBJECTIVES SHOULD THEREFORE BE THE ECONOMIC AND SOCIOLOGICAL PROGRESS OF OUR COMMUNITY. HE POINTED UP A SERIOUS NEED FOR BETTER UNDERSTANDING BETWEEN LEADERS OF COOPERATIVES OF DIFFERENT TYPES AND PRODUCTS.

THE FIRST MORNING'S SESSION INCLUDED A PANEL DISCUSSION ON WHAT THE BASIC PHILOSOPHY OF OUR COOPERATIVE SHOULD BE. BARBARA DEVERICK POINTED OUT THAT PHILOSOPHY DEVELOPMENT IS A CONTINUING PROCESS IN WHICH THE MANAGER PLAYS A KEY ROLE AND THAT WE CANNOT DEVELOP OUR PHILOSOPHY SIMPLY BY COPYING ANOTHER.

IRV SMITH POINTED UP THE IMPORTANCE OF PUBLIC RELATIONS AND THE PITFALLS FROM SKIMPING IN THIS AREA. HE EMPHASIZED THAT WE CANNOT LIVE ON OUR GLORIOUS PAST AND THAT WE MUST CONTINUALLY AVOID THE "STATUS QUO."

JIM KELLY EMPHASIZED THE NEED FOR GREATER EMPHASIS ON COOPERATION WITH COMMUNITY GROUPS AND ENLISTMENT OF THEIR SUPPORT.

ERIC NICOL REMINDED US THAT A RURAL ELECTRIC COOPERATIVE IS FIRST A MEMBER SERVICE ORGANIZATION AND THAT ITS BASIC PHILOSOPHY SHOULD BE MEMBER ORIENTED.

DURING THE AFTERNOON OF THE FIRST DAY WE DISCUSSED MANAGEMENT DEVELOPMENT IN OUR ORGANIZATIONS. CHARLIE BOULSON EMPHASIZED THAT WE WERE NOW AROUND 25 YEARS OLD AND SHOULD THEREFORE BE APPROACHING MATURITY. HE CHALLENGED US BY PRESENTING AN INSPIRING LOOK INTO A POSSIBLE ORGANIZATION OF THE FUTURE.

CLYDE HUKILLS STATED THAT INTEGRITY IN THE INDIVIDUAL IS OF MORE IMPORTANCE THAN INTELLIGENCE. HE RE-EMPHASIZED THE RESPONSIBILITY OF THE MANAGER TO BE EVERYTHING HE DESIRES HIS SUBORDINATES TO BECOME.

THE AFTERNOON OF THE FIRST DAY ALSO INCLUDED AN EXCELLENT PRESENTATION BY BOB WAY ON VISUAL AIDS AND AUDIO VISUAL AIDS. LITERATURE COVERING VISUAL AIDS AND THEIR USES HAS BEEN ASSEMBLED BY BOB AND IS AVAILABLE.

DURING THE FIRST HALF OF THE MANAGERS MORNING SESSION ON THURSDAY, JIM KELLY LED A DISCUSSION ON THE "RESULTS APPROACH" TO METHODS AND PROGRAMS. IN SUMMARY, IT WAS AGREED THAT WE SHOULD TAKE A DEEPER LOOK INTO THE ADVISABILITY AND POSSIBILITY OF DEVELOPING THE MANAGER'S POSITION DESCRIPTION AROUND THE RESULTS EXPECTED RATHER THAN PERFORMANCE. A TRIAL POSITION DESCRIPTION FOR MANAGER BUILT AROUND THIS NEW CONCEPT WAS PRESENTED AND DISCUSSED. THIS POSITION DESCRIPTION WAS DEVELOPED BY BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION AND IT REPRESENTS AN INTERESTING STEP IN THIS DIRECTION.

DURING THE SECOND HALF OF THE MANAGERS MORNING SESSION THE "MANAGER'S ROLE IN MANAGEMENT-EMPLOYEE DEVELOPMENT" WAS EXPLORED. EXCELLENT PAPERS WERE PRESENTED BY JOHN DOLINGER, BUD SHULTZE, AND BOB KELLY. IN BRIEF SUMMARY IT WAS POINTED OUT THAT THE MANAGER SHOULD PLAY THE ROLE OF INNOVATOR IN DEVELOPING EMPLOYEE DEVELOPMENT PROGRAMS. HE SHOULD PROVIDE THE CHANCE AND OPPORTUNITY FOR EMPLOYEES TO BECOME WELL-ROUNDED INDIVIDUALS - AND, HE MUST HIMSELF SEEK TO EXPAND IN THE KNOWLEDGE OF ECONOMICS; HUMAN RELATIONS AND BEHAVIOR; LITERATURE, ART AND MUSIC; AND IN OTHER AREAS IN ORDER TO DEVELOP A PROGRESSIVE PHILOSOPHY OF LIFE. COPIES OF THESE PAPERS ARE AVAILABLE.

BOTH SESSIONS ON THURSDAY AFTERNOON WERE SPENT ON PLANNING. EXCELLENT DISCUSSION AND A PAPER WAS PRESENTED BY ERIC NICOL. VIRGIL HERRIOTT ALSO GAVE AN EXCELLENT PAPER ON THIS SUBJECT. WE PHASED INTO A RATHER LIVELY DISCUSSION ON THE ROLES OF THE BOARD AND THE MANAGER IN PLANNING. THERE WAS SOME DISAGREEMENT AS TO HOW FAR THE BOARD SHOULD PARTICIPATE IN OR ACTUALLY PERFORM PLANNING. THERE WAS FAIRLY GENERAL AGREEMENT HOWEVER, THAT THE MANAGER PLAYS A VERY KEY ROLE IN MOTIVATING, ASSISTING IN, GUIDING, AND DIRECTING PLANNING.

BILL BEVERAGE PRESENTED A FINE PAPER ON THE RELATIONSHIP BETWEEN OPERATIONS PLANNING AND LONG RANGE PLANNING. HE ADVANCED SOME NEW AND PROVOCATIVE IDEAS IN PLANNING BY BREAKING IT DOWN INTO (A) LONG RANGE PLANNING, (B) OPERATIONAL PLANNING, AND (C) ANNUAL WORK PLANNING.

THE GROUP COULD NOT AGREE ON THE TERM AND METHOD OF LONG RANGE PLANNING. THEY DID AGREE THAT THE SUBJECT OF LONG RANGE PLANNING IS ONE WHICH NEEDS RESEARCH AND DEVELOPMENT. IT WAS SUGGESTED THAT THIS MIGHT BE AN EXCELLENT AND TIMELY PROJECT FOR A FUTURE MANAGEMENT CONSULTATION.

THE FIRST HALF OF THIS MORNING'S SESSION WAS DEVOTED TO THE SUBJECT OF RESPONSIBILITY ACCOUNTING. ERIC NICOL EMPHASIZED THAT MANAGERS SHOULD ENCOURAGE THEIR STAFF MEMBERS TO DEVELOP CONTROLS NOT ONLY FOR THE MANAGERS USE BUT ALSO FOR THEIR OWN USE.

BILL BEVERAGE RELATED HIS OWN EXPERIENCES WHICH LED TO THE NEED FOR RESPONSIBILITY ACCOUNTING IN HIS SYSTEM. HE DESCRIBED THE NINE AREAS WHICH HE DEVELOPED AND WHICH HE IS USING IN HIS RESPONSIBILITY ACCOUNTING SYSTEM. HE DESCRIBED HIS METHOD OF REPORTING RATHER EXTENSIVELY ON ONE OF THESE AREAS AT EVERY OTHER BOARD MEETING.

WILLARD GRAGER DESCRIBED HIS SYSTEM OF RESPONSIBILITY ACCOUNTING WHICH ROTATES STRICTLY AROUND THE BUDGET AND THE ANNUAL WORK PLAN.

DURING THE SECOND HALF OF THIS MORNING, JIM KELLY LED A DISCUSSION ON IMPROVING PERFORMANCE APPRAISALS AND DEVELOPMENT COUNSELING. THE ROLE OF THE STAFF ASSISTANT IN HELPING THE MANAGER APPRAISE HIS IMMEDIATE STAFF WAS DISCUSSED.

IT WAS POINTED OUT THAT THE STAFF ASSISTANT COULD ASSIST THE MANAGER IN THIS AREA BY ACTING AS A SOUNDING BOARD AND BY HELPING THE MANAGER PREPARE FOR THE INTERVIEW WITH THE IMMEDIATE STAFF MEMBER. IT WAS ALSO POINTED OUT THAT THE STAFF ASSISTANT'S ROLE IN THIS RESPECT BECOMES SOMEWHAT COMPLICATED IF HE ALSO HAS LINE RESPONSIBILITY AND AUTHORITY. IT WAS FURTHER POINTED OUT THAT THE MANAGER SHOULD NOT RELY ON THE STAFF ASSISTANT TO THE EXTENT THAT HE WILL CREATE A FEELING AMONG HIS IMMEDIATE STAFF THAT HE, THE MANAGER, JUST SIMPLY DOES NOT WANT TO TAKE THE TIME TO CAREFULLY ANALYZE THEIR PERFORMANCE, PROBLEMS, AND POTENTIALS.

THERE WAS CONSIDERABLE DISCUSSION ON THE METHODS OR STEPS IN PERFORMANCE APPRAISALS. THERE WAS NOT FULL AGREEMENT IN THIS AREA. IT WAS APPARENT THAT THERE IS STILL CONSIDERABLE WORK TO BE DONE IN THE DEVELOPMENT OF THE PERFORMANCE APPRAISAL CONCEPT.

THIS SERIES OF CHARTS BY C. E. BOULSON WAS A PART OF HIS PRESENTATION ON "WHAT CONSTITUTES MANAGEMENT DEVELOPMENT IN OUR CONSUMER-OWNED ELECTRIC SYSTEMS."

A SERVICE ORGANIZATION

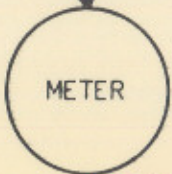


OBJECTIVES AND GOALS

STAFF

PLANNING
 ORGANIZING
 DIRECTING
 COORDINATING
 CONTROLLING

PROVIDING POWER AND ENERGY



LINE

ENVIRONMENT
 CHANGE
 INFLUENCE
 DEVELOPMENT
 VALUES

CREATING VALUES

BUILDING A NEW RURAL COMMUNITY

1. TO RELIEVE THE FARM AND HOME OF THE DRUDGERY OF WORK.
2. TO INCREASE THE PROFITABILITY OF THE FARMER'S BUSINESS.
3. TO IMPROVE THE POSITION OF AGRICULTURE.
4. TO ENRICH THE LIFE OF THE COMMUNITY.

IDEALS

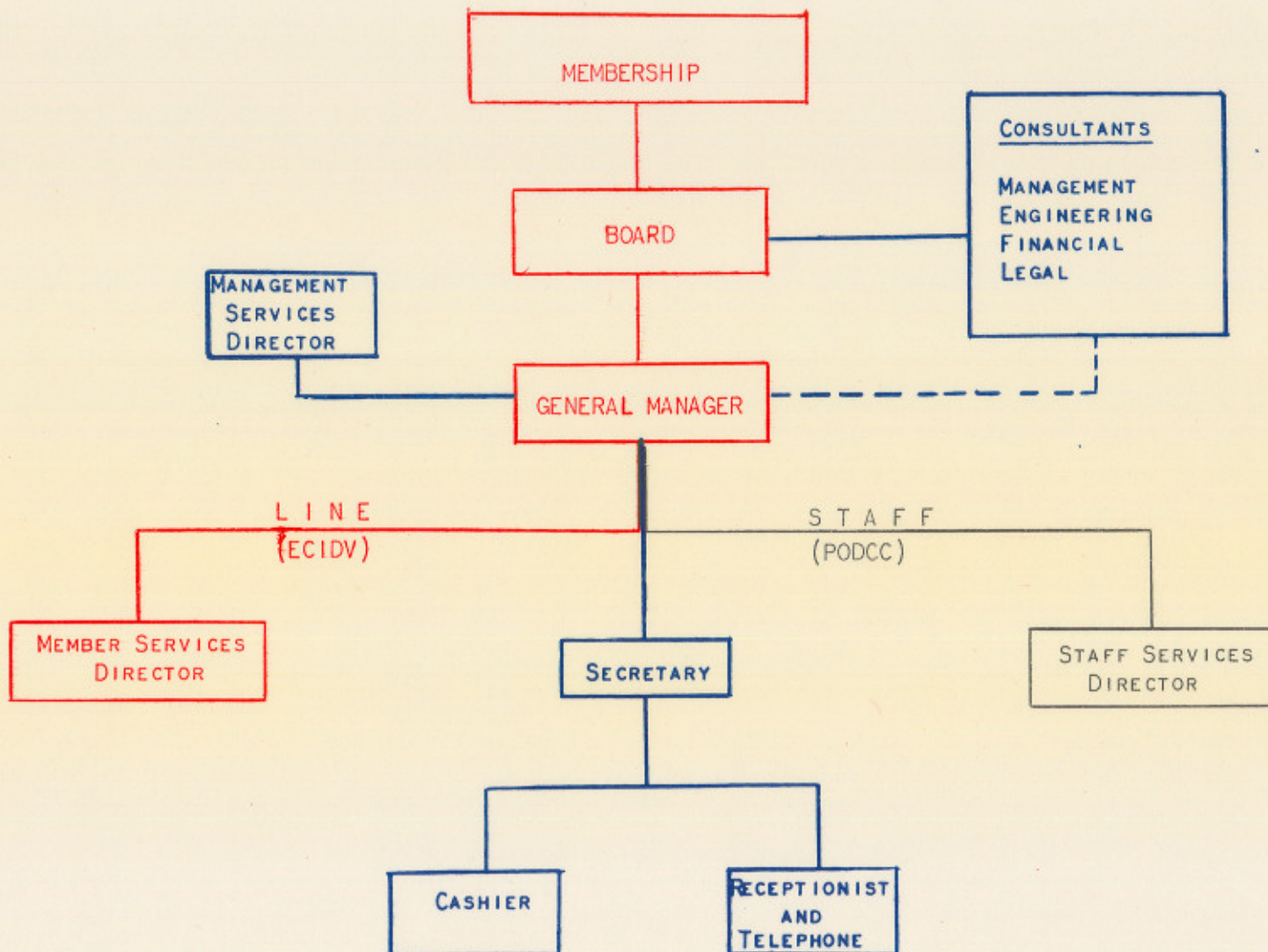


CHART 2

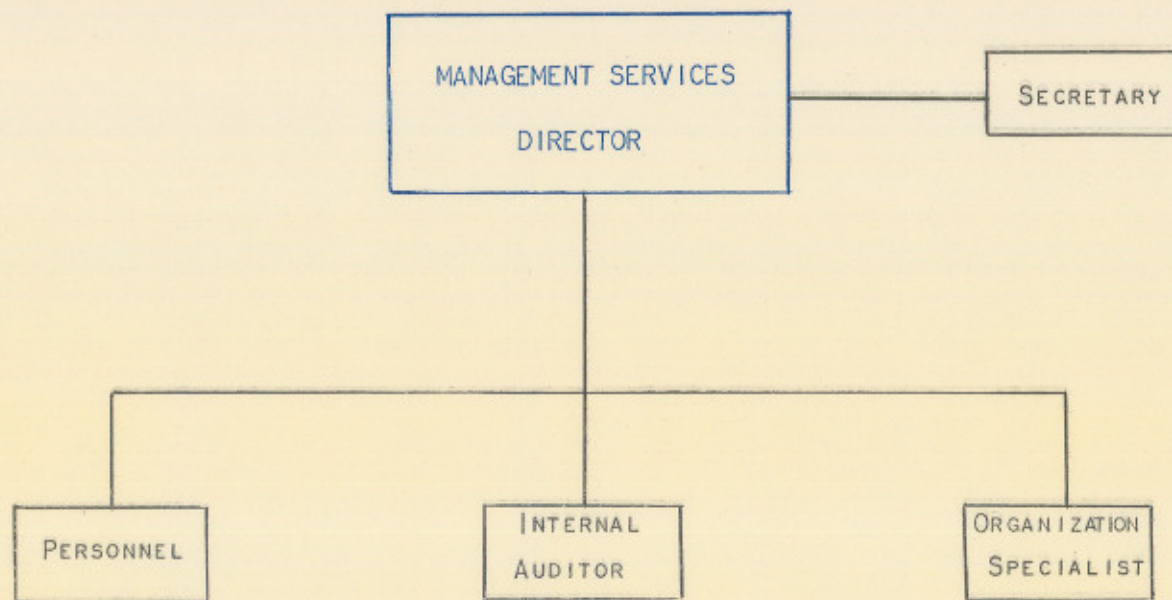
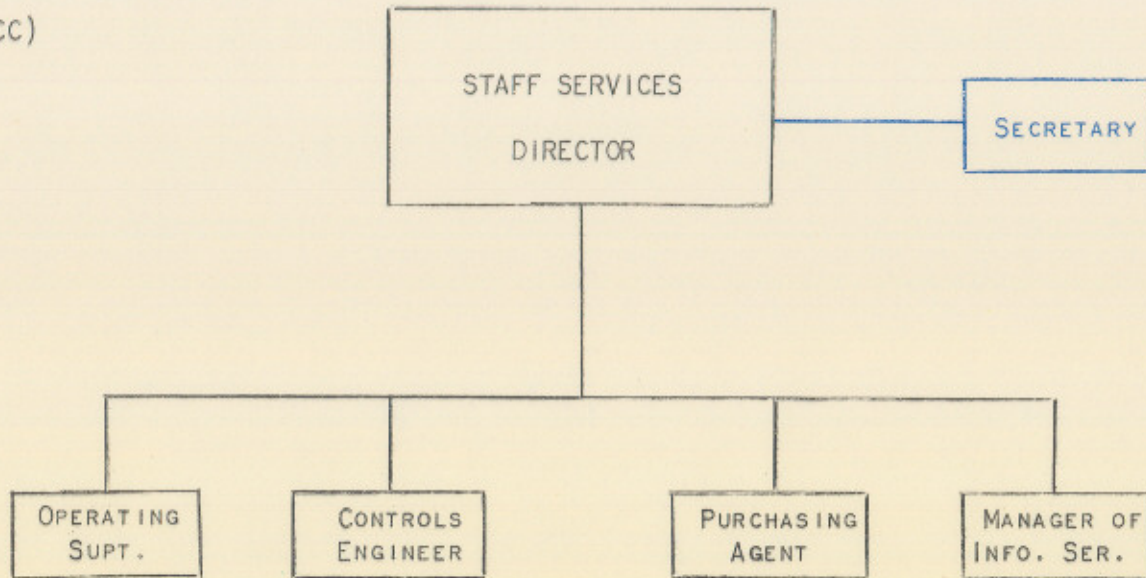


CHART 3

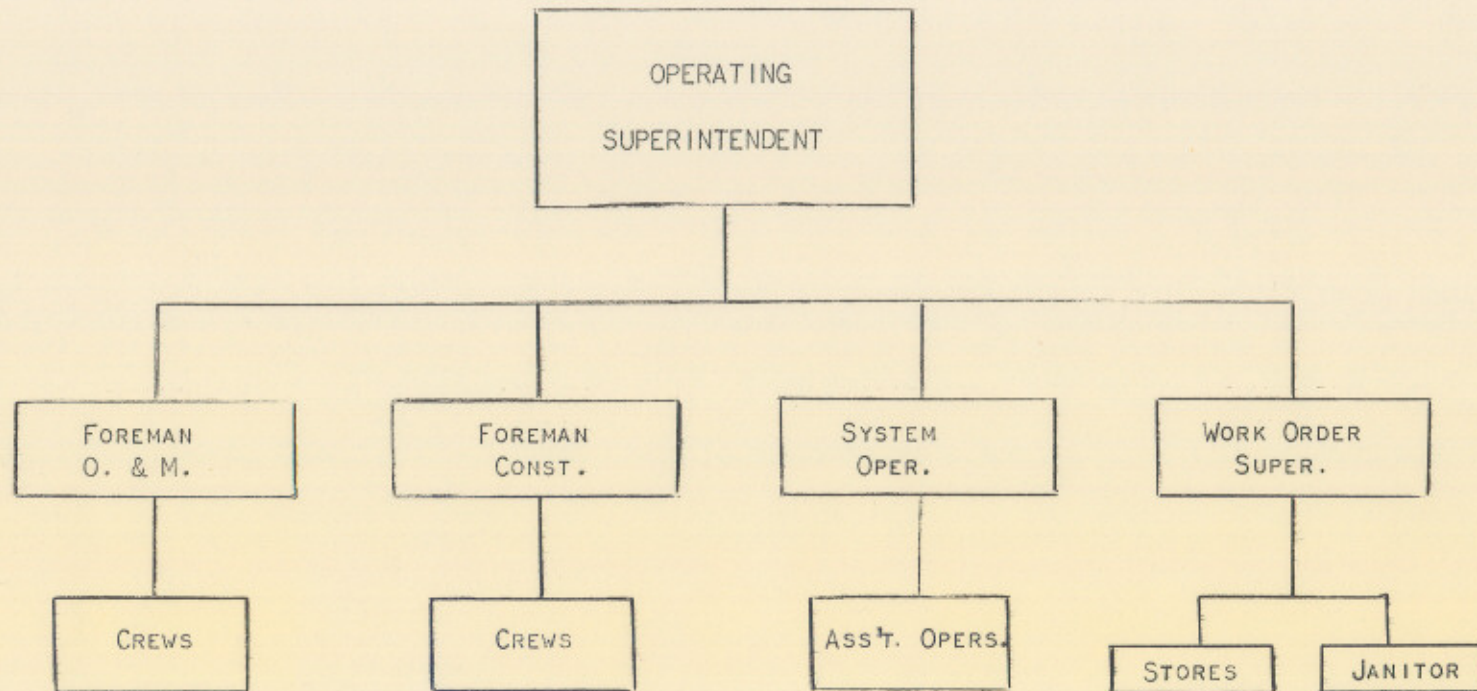
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INWARD
AND
DOWNWARD



CHART 4A



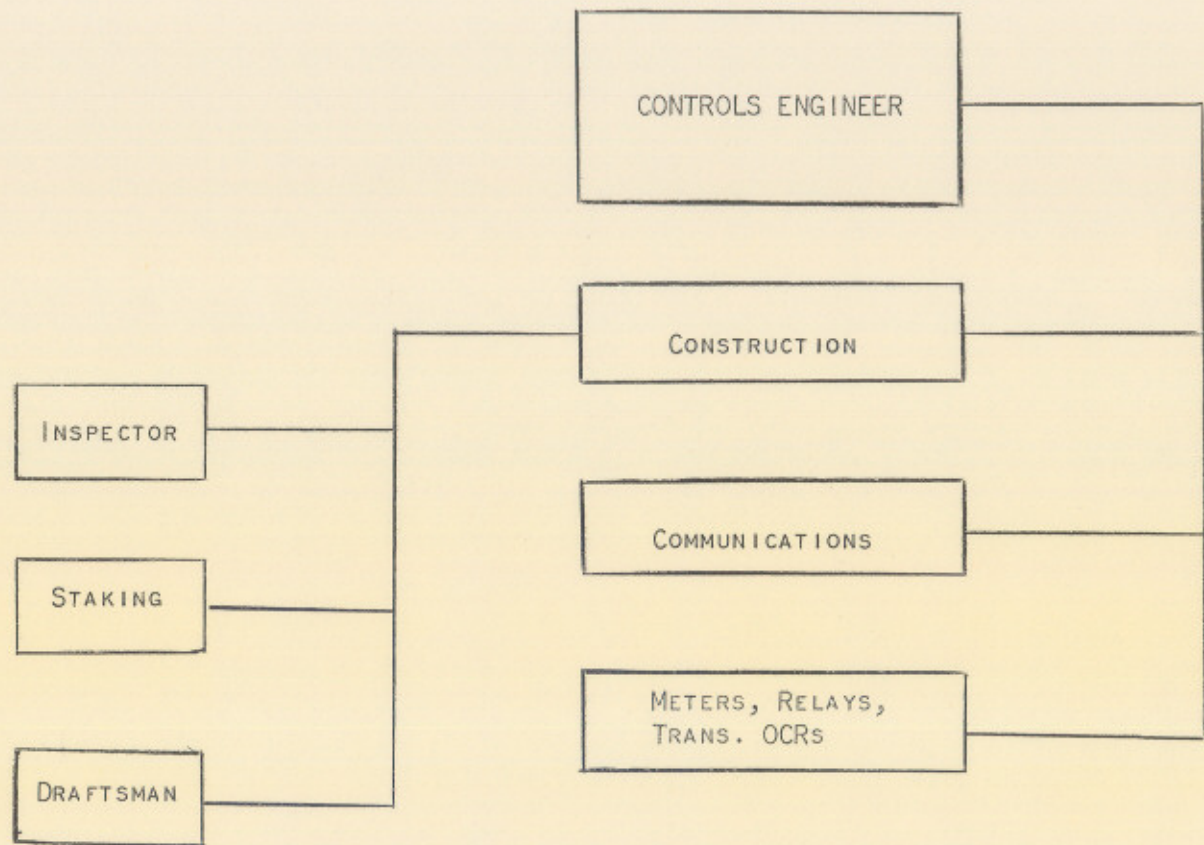
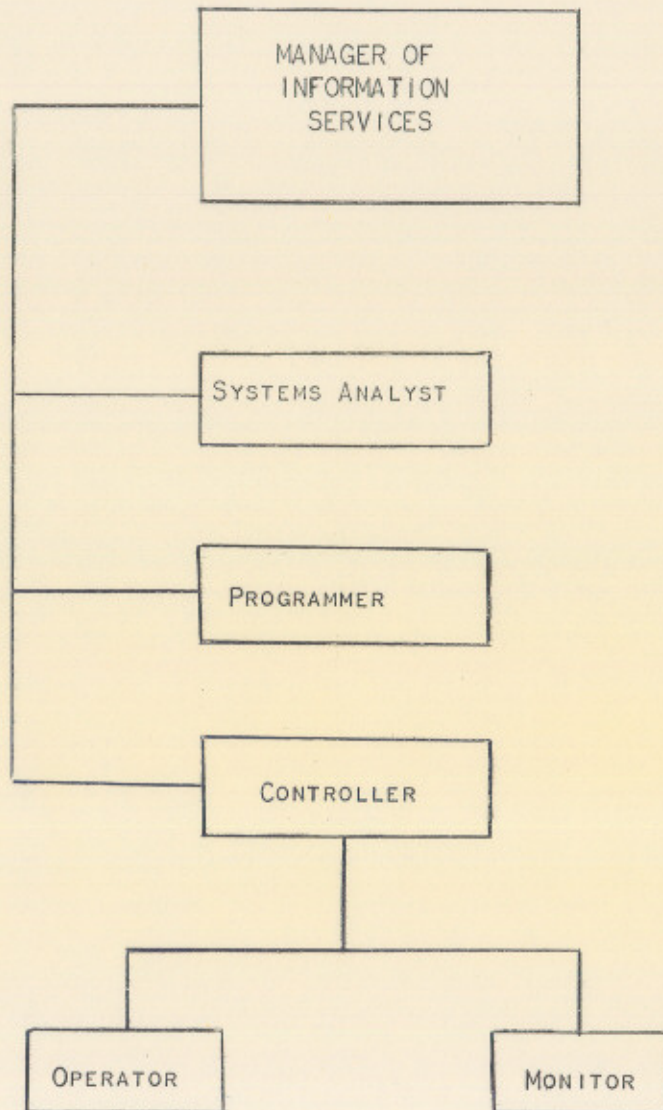
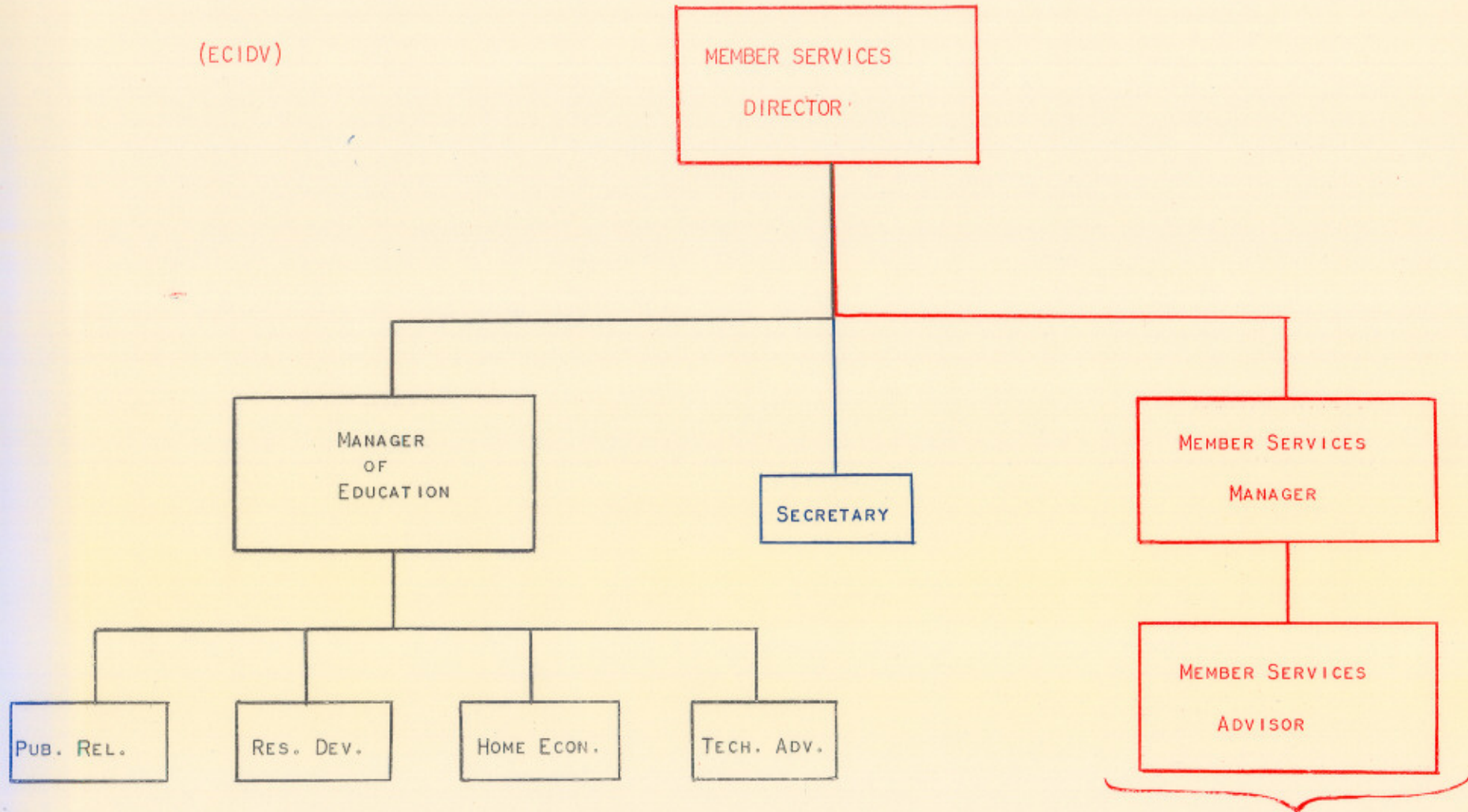


CHART 4C



(ECIDV)



UPWARD
AND
OUTWARD



1 FOR EACH 500 MEMBERS

CHART 5

MANAGEMENT CONSULTATION

KANSAS CITY, KANSAS
TOWN HOUSE HOTEL
MAY 15, 1963

VIEWPOINTS AND PHILOSOPHIES IN REGARD TO THE ROLE OF COOPERATIVES IN THE COMMUNITY

BY: ROBERT E. JOHANSON, DIRECTOR
MANAGEMENT CONSULTING DIVISION
CONSUMERS COOPERATIVE ASSOCIATION
P. O. Box 7305
KANSAS CITY 16, MISSOURI

IN GATHERING BACKGROUND MATERIAL FOR SUCH A CHALLENGING SUBJECT, I DISCOVERED AT LEAST TWO SIGNIFICANT THINGS:

1. THERE IS A VERY WIDE POINT OF VIEW IN REGARD TO THE ROLE OF COOPERATIVES IN THE COMMUNITY.
2. I ORIGINALLY HAD SOME ESTABLISHED THOUGHTS ON WHAT THE ROLE SHOULD BE, BUT PERHAPS MY THINKING HAS CHANGED, OR AT LEAST BROADENED TO A GREAT EXTENT.

FOR SOME REASON OR ANOTHER, WHEN I WAS FIRST ASKED TO TAKE THIS ASSIGNMENT, I FELT THE TITLE HAD A SOCIOLOGICAL IMPLICATION AND THUS I WROTE A VERY GOOD SOCIOLOGIST FRIEND OF MINE WHO HAS DONE CONSIDERABLE RESEARCH ON THE SOCIOLOGICAL ASPECTS OF COOPERATIVE ORGANIZATIONS. AT FIRST I WAS QUITE DISAPPOINTED IN HIS COMMENTS, BUT THEN AFTER A PERSONAL VISIT WITH HIM AND SOME FURTHER CLARIFICATION, I FELT HIS REMARKS WOULD BE OF INTEREST TO THIS GROUP. AT LEAST IT WILL HELP TO ILLUSTRATE AGAIN THE VERY WIDE AND DIVERSE FIELD OF THOUGHT BY A PERSON WHO HAS HAD CONSIDERABLE EXPOSURE TO COOPERATIVES.

I AM NOT QUOTING MY SOCIOLOGIST FRIEND:

"FIRST, IN A VERY GENERAL SENSE, COOPERATIVES FULFILL TWO MAJOR FUNCTIONS IN THE COMMUNITY:

1. ECONOMIC
2. SOCIOLOGICAL

"THE PHILOSOPHY OF COOPERATIVES IS SUCH THAT THEIR PRIMARY ROLE IS ECONOMIC AND THEIR SECONDARY ROLE IS SOCIOLOGICAL. SINCE THE PRIMARY ROLE OF COOPERATIVES IS ECONOMIC, THEN THE RESPONSIBILITY OF A COOPERATIVE IN A COMMUNITY SHOULD BE VIEWED PRIMARILY AS AN ECONOMIC RESPONSIBILITY OR SIMILAR TO THE RESPONSIBILITY OF OTHER ECONOMIC INSTITUTIONS IN THE COMMUNITY. JUST ON THE SURFACE IT WOULD APPEAR THAT A COOPERATIVE THAT DOES A GOOD JOB IN DEFINING ITS ECONOMIC ROLE IN THE COMMUNITY WOULD PROBABLY HAVE A SHARPER AND MORE CLEAR IMAGE AMONG THE COMMUNITY MEMBERS.

"IN VISITING WITH ONE OF HIS FELLOW STAFF MEMBERS THEY AGREED THAT COOPERATIVES SHOULD QUIT APOLOGIZING FOR, OR EVEN BRINGING TO LIGHT, THEIR UNIQUENESS AND ASK THEMSELVES WHAT IS THE ROLE OF ANY BUSINESS IN ANY COMMUNITY. ACTUALLY THE COOPERATIVE IS UNIQUE PRIMARILY IN THAT ALL THE STOCKHOLDERS RESIDE IN THE COMMUNITY, BUT THEIR PRIMARY FUNCTION IS STILL THE PROVISION OF MERCHANDISE OR SERVICES TO CONSUMERS AND FARMERS."

NEEDLESS TO SAY, I WAS A BIT DISAPPOINTED IN THAT A SOCIOLOGIST WOULD RECOGNIZE ONLY A LITTLE BIT MORE THAN THE "INTERNAL ECONOMIC ROLE" A COOPERATIVE SHOULD PLAY IN A COMMUNITY. ALTHOUGH HE DID MENTION THE SOCIOLOGICAL FUNCTIONS HE DID NOT EXPAND AS TO WHAT THESE FUNCTIONS SHOULD BE.

I WOULD AGREE THAT PERHAPS IN THE BEGINNING, THAT IS WHEN COOPERATIVES WERE FIRST ORGANIZED, OUR ROLE WAS MORE OF AN INTERNAL ECONOMIC NATURE - THE COOPERATIVE, GENERALLY SPEAKING, WAS ORGANIZED FOR THE BENEFIT OF ONLY THE MEMBERS. LET ME ELABORATE A BIT.

ABOUT 15 YEARS AGO WHEN I FIRST BECAME EXPOSED TO COOPERATIVES, MY FATHER TOLD ME OF HOW THE LINE ELEVATORS WERE LOCATED UP AND DOWN THE RAILROADS AND VIRTUALLY DICTATED THE PRICE TO BE PAID TO FARMERS FOR THEIR GRAINS THEY HAD TO MARKET. EXCESSIVE MARGINS WERE TAKEN BY THE LINE COMPANIES AND THE FARMER HAD NO SAY IN REGARD TO THE PRICE HE RECEIVED. TO MAKE A LONG STORY SHORT - GROUPS OF FARMERS GOT TOGETHER, BUILT THEIR OWN GRAIN ELEVATORS, AND ENTERED INTO THE MARKET.

THIS STORY HAS MEANT A LOT TO ME THROUGH THE YEARS AND I HAVE REPEATED IT TO BOARDS OF DIRECTORS AND MANAGERS OF LOCAL COOPERATIVES. HOW OFTEN I HAVE TOLD THIS STORY AND, OF COURSE, EMPHASIZED THE VALUE OF THE COOPERATIVE IN THE COMMUNITY, THE BENEFITS OF KEEPING MORE MARGINS IN THE COMMUNITY, THE COOPERATIVE PAYROLL, ETC.

SIMILAR STORIES CAN BE TOLD IN THE PETROLEUM, FERTILIZER AND FEED INDUSTRIES. CERTAINLY THE ORGANIZATION I REPRESENT HAS DEMONSTRATED PROGRESS IN THESE AREAS.

IN THE SPRING OF 1942 IN A FARM HOME IN NORTHWESTERN IOWA, MY BROTHER, SISTER, MOTHER, FATHER AND MYSELF STOOD ANXIOUSLY WAITING FOR THE FIRST SPARK OF ELECTRICITY TO COME THROUGH THE NEW RURAL ELECTRIC COOPERATIVE LINES TO LIGHT AND TO SUPPLY POWER TO OUR HOME AND SURROUNDING FARM BUILDINGS. WHAT A THRILL IT WAS TO SEE THE BULBS FLICKER, THEN LIGHT - AT FIRST DIMLY - AND THEN GLOW AND LIGHT UP ROOMS IN OUR FARM HOME THAT HAD NEVER RECEIVED SUCH ILLUMINATION BEFORE.

I HAVE RELATED THIS EXPERIENCE MANY TIMES BEFORE, AND INVARIABLY IT IS THIS TYPE OF THING THAT COMES TO OUR MINDS WHEN WE BEGIN DISCUSSING THE IMPORTANCE OF COOPERATIVES IN A COMMUNITY OR AREA. QUITE OFTEN, WHEN ASKED ABOUT THE PURPOSE OR ROLE OF COOPERATIVES, IT IS IN THIS REALM THAT WE PROVIDE AN ANSWER.

IT SEEMS TO ME THAT IN THE PAST WE HAVE DISCUSSED OUR ROLE IN THE COMMUNITY IN TERMS OF ESTABLISHING A NEW BUSINESS, BUILDING A NEW FEED MILL, GRAIN ELEVATOR, OR SERVICE STATION AND THE VALUE TO THE COMMUNITY THAT THESE PROJECTS WILL HAVE. IN LOOKING AT A RURAL ELECTRIC SYSTEM, IF YOU WILL, PERHAPS YOU HAVE THOUGHT OF YOUR ROLE IN TERMS OF BUILDING NEW LINES, PROVIDING LOW COST POWER, AND BUILDING AND MAINTAINING NEW PLANTS. WHAT I AM SUGGESTING IS, ARE NOT THESE THE KINDS OF THINGS THAT WE MOST OFTEN SEE FIRST - BUT CERTAINLY OUR ROLE IS MUCH BIGGER THAN THIS.

I BELIEVE IT IS OUR PURPOSE HERE TODAY TO GO BEYOND WHAT HAS PREVIOUSLY BEEN CONCEIVED AS THE ROLE OF COOPERATIVES IN THE COMMUNITY. IN OUR DISCUSSION I HOPE WE CAN HAVE AN EXCHANGE OF IDEAS THAT WILL CAUSE US TO THINK OF OUR ORGANIZATIONS AS HAVING NEW AND BROADER RESPONSIBILITIES.

ABOUT TWO YEARS AGO I HAD THE PRIVILEGE OF ATTENDING A MODERN MANAGEMENT INSTITUTE IN CHICAGO. THIS INSTITUTE HAS REMAINED VERY VIVID IN MY MIND, AND I THINK SOME

OF THE THINGS BROUGHT OUT BY THIS GROUP WILL FIT IN WITH OUR DISCUSSION TODAY. ONE OF THE PRINCIPAL SPEAKERS WAS DR. ROBERT HARTMAN WHO IS A RESEARCH PROFESSOR OF PHILOSOPHY AT THE NATIONAL UNIVERSITY OF MEXICO, AND HE DISCUSSED WITH THE GROUP OUR ECONOMIC SYSTEM AS DEVELOPING IN TERMS OF FIVE KINDS OF CAPITALISM.

THIS IS NOT A LESSON IN ECONOMICS BUT IT MAY SUGGEST A PATTERN WE SHOULD BE THINKING OF.

1. THE FIRST IS ARCHAIC CAPITALISM OR PURE SLAVERY. MAN IS A PIECE OF MERCHANDISE, TO BE THROWN AWAY WHEN EXHAUSTED. UNFORTUNATELY, THIS HAS NOT DISAPPEARED FROM OUR MODERN WORLD. YOU HAVE THIS KIND OF CAPITALISM IN SOUTH AFRICA AND PORTUGUESE AFRICA. PEOPLE IN RUSSIA WHO HAVE DISAPPEARED AND APPARENTLY PLACED IN SALT MINES ARE LITTLE BETTER THAN SLAVES AS WE HAVE COME TO KNOW THEM THROUGH OUR HISTORY BOOKS.
2. THE SECOND KIND OF CAPITALISM IS CALLED THE OLD LINE CAPITALISM MOST PREVALENT FROM THE 1880'S TO 1916. HERE THE ONLY RECOGNIZABLE FUNCTION OF MAN IS LABOR. IT IS THE MERCHANDISE THAT MAN HAS TO OFFER. THIS IS A CAPITALISM OF HIGH PROFITS AND LOW CONSUMPTION. THE WORKER IS ANALYZED IN TERMS OF TIME AND MOTION STUDIES AND IS GENERALLY PAID BY THE SECONDS, THE MINUTES, OR AT THE MOST, BY THE HOUR. WE STILL HAVE THIS TO A VERY LARGE DEGREE. IT REGARDS THE WORKER AS A MEANS TO AN END; THIS TYPE OF CAPITALISM IS PREVALENT IN THE WHOLE OF LATIN AMERICA. FOR EXAMPLE, THE PEOPLE WHO OWN THE NEW INDUSTRIES IN MEXICO, ALTHOUGH THEY PRODUCE AT A FRACTION OF WHAT IT USED TO COST TO IMPORT THE GOODS THEY NOW MAKE, STILL CHARGE EXACTLY THE SAME AS WHEN THEY IMPORTED THE GOODS; OF COURSE MILLIONS OF DOLLARS ARE MADE UNDER THIS SYSTEM.
3. THE NEXT DEVELOPMENT WAS KNOWN AS NEW LINE CAPITALISM IN WHICH THE WHOLE WORKER IS REGARDED AS A FUNCTION. THIS WAS INVENTED IN 1916 BY HENRY FORD AND IS CHARACTERIZED BY LOW UNIT PROFITS AND HIGH CONSUMPTION. IN THIS KIND OF CAPITALISM THE WORKER IS PAID FOR THE MARGIN OF PRODUCTIVITY; IN OTHER WORDS, FOR THAT WHICH HE ADDS TO THE PRODUCT.

IN THE UNITED STATES THE RESULT WAS A TREMENDOUS PRODUCTIVITY. BUT IT ALSO BROUGHT PROBLEMS OF AFFLUENCE. MR. GALBRAITH IN HIS BOOK "THE AFFLUENT SOCIETY" SAID: "THE FAMILY WHICH TAKES ITS MAUVE AND CERISE AIR-CONDITIONED, POWER STEERED AND POWER BRAKE AUTOMOBILE OUT FOR A TOUR, PASSES THROUGH CITIES THAT ARE BADLY PAVED, MADE HIDEOUS BY LITTLE BLIGHTED BUILDINGS, BILLBOARDS AND POSTS OR WIRES THAT SHOULD HAVE LONG SINCE BEEN PUT ON THE GROUND; THEY PASS ON INTO A COUNTRYSIDE THAT HAS BEEN RENDERED LARGELY INVISIBLE BY COMMERCIAL ART; THEY PICNIC ON EXQUISITELY PACKAGED FOOD FROM A PORTABLE ICEBOX BY A POLLUTED STREAM, AND GO ON TO SPEND THE NIGHT AT A PARK WHICH IS DANGEROUS TO PUBLIC HEALTH AND MORALS. JUST BEFORE DOZING OFF ON AN AIR MATTRESS BENEATH A NYLON TENT AMID THE STENCH OF DECAYING REFUSE, THEY MAY REFLECT VAGUELY ON THE CURIOUS UNEVENNESS OF THEIR BLESSINGS."

THIS IS A RESULT OF THE AMERICAN GENIUS? GALBRAITH SAYS THE GREATER THE WEALTH, THE BIGGER THE FILTH.

4. THE FOURTH KIND OF CAPITALISM IS CALLED PROFIT SHARING CAPITALISM. IT SEES THE WORKER AS A PARTNER PAID ON A GUARANTEED ANNUAL WAGE, OR A TRUST FUND IS PAID HIM WHICH MAKES HIM ACTUALLY A CAPITALIST. THIS IS A VERY NEW KIND OF CAPITALISM WHERE ALL THE MEMBERS OF THE PRODUCTION AND CONSUMPTION TEAM ARE PARTNERS. THERE ARE IN THE UNITED STATES NOW ABOUT 100,000 PROFIT SHARING INDUSTRIES.
5. THE FIFTH KIND OF CAPITALISM IS COOPERATIVE CAPITALISM. IN DR. HARTMAN'S WORDS, "IT IS THE HIGHEST DEVELOPMENT FROM A MORAL POINT OF VIEW." IF THE COOPERATIVE MOVEMENT IS TO FULFILL ITS MORAL MISSION, WE WILL HAVE TO SOLVE THE PROBLEM OF THE AFFLUENT SOCIETY. IF COOPERATORS GO ON SUFFOCATING THE WORLD WITH GOODS ALONE, THERE IS NO MORAL PROGRESS. THE PROBLEM OF THE AFFLUENT SOCIETY HAS TO BE SOLVED AND WE HAVE TO ASK OURSELVES WHAT ARE THE KINDS OF GOODS AND SERVICES THE WORLD NEEDS.

IF WE LOOK CLOSELY AT THE DEVELOPMENT OF OUR ECONOMIC SYSTEM, WE WILL SEE THAT IT HAS DEVELOPED FROM A HIGHLY IMMORAL TYPE OF CAPITALISM TO WHAT WE CONSIDER A HIGHLY MORAL TYPE.

FOR THE IMMORAL KINDS OF CAPITALISM, THE ECONOMIC IS AN END IN I SELF. (THE I JUST WANT TO MAKE MONEY TYPE OF THING AND WITH NO REGARD TO MY FELLOWMAN.) IN THE MORAL KINDS OF CAPITALISM, AND ESPECIALLY IN THE COOPERATIVE KIND, THE ECONOMIC IS A MEANS TO AN END.

I WOULD SUGGEST TO YOU THAT PERHAPS IN THE PAST WE HAVE BEEN REFERRING TO OUR ROLE IN THE COMMUNITY AS ENDS WHEN ACTUALLY IT WOULD HAVE BEEN MORE CORRECT TO REFER TO IT AS MEANS TO ENDS - THE ENDS WHICH HAVE NOT TO ANY GREAT DEGREE BEEN ESTABLISHED YET. OUR PURPOSE AS I SEE, IS TO MAKE SOME PROGRESS ON THIS THIS MORNING.

I LOOK UPON OUR ROLE IN THE COMMUNITY AS ONE OF RESPONSIBILITY FOR COMMUNITY DEVELOPMENT. UNFORTUNATELY MANY OF OUR MARKETING AND FARM SUPPLY COOPERATIVES HAVE NOT RECOGNIZED THIS ROLE AND HAVE NOT PROVIDED THE LEADERSHIP REQUIRED FOR SUCH DEVELOPMENT.

MANY OF OUR MEMBER ASSOCIATIONS ARE LOCATED IN TOWNS OF 1000 POPULATION OR LESS. A NOT UNTYPICAL SITUATION IS TO SEE A LARGE GRAIN ELEVATOR IN ONE END OF TOWN AND A CHURCH IN THE OTHER END AND A FEW SCATTERED MARGINAL BUSINESSES LOCATED IN BETWEEN. MANY SOCIOLOGISTS ARE PREDICTING THIS CANNOT EXIST AND THAT THE SMALLER RURAL COMMUNITY IS DOOMED AND WILL GO THE WAY OF THE ONE ROOM COUNTRY SCHOOL.

WE MUST RECOGNIZE THAT A COOPERATIVE IS A USER-OWNER TYPE OF BUSINESS OWNED BY MANY PEOPLE AND THAT THESE PEOPLE LIVE IN THE COMMUNITY OR AREA WHERE THE COOPERATIVE IS LOCATED. THE TYPE OF BUSINESS THEN THAT WE ARE RESPONSIBLE FOR MUST BE ONE WHOSE OBJECTIVES INCLUDE THE WELFARE OF THE ENTIRE COMMUNITY. IN CONTRAST TO OTHER BUSINESSES WE CANNOT MOVE AWAY - LEAVE THE COMMUNITY - OUR OWNER-MEMBERS EXPECT THEIR COOPERATIVE TO HELP PRESERVE AND BUILD THE COMMUNITY AND UNLESS IT DOES THIS IT IS FAILING IN ONE OF ITS MAJOR OBJECTIVES.

IT SEEMS TO ME THEN, WHETHER WE ARE A FARM SUPPLY COOPERATIVE, A RURAL ELECTRIC COOPERATIVE, OR A MARKETING COOPERATIVE, OUR ROLE SHOULD BE ONE OF COMMUNITY LEADERSHIP. IN PROVIDING COMMUNITY LEADERSHIP TWO BROAD AREAS COME TO MIND.

1. ECONOMIC DEVELOPMENT - HERE WE ARE CONCERNED WITH BOTH THE DEVELOPMENT OF OUR OWN ORGANIZATION AND THE FINANCIAL BENEFITS IT WILL PROVIDE TO THE

COMMUNITY, BUT ALSO THE DEVELOPMENT OF OTHER BUSINESSES AND INDUSTRIES WITHIN THE COMMUNITY.

2. COMMUNITY DEVELOPMENT - HERE I AM THINKING ABOUT THE ATTITUDES OF PEOPLE TOWARD THEIR COMMUNITY - THEIR SENSE OF PRIDE. THREE OR FOUR YEARS AGO "LOOK" MAGAZINE HAD AN ARTICLE ABOUT THE ALL-AMERICAN CITIES. I WAS CURIOUS TO KNOW WHAT KINDS OF PROBLEMS WERE SOLVED BY THESE COMMUNITIES TO WARRANT BEING LISTED AS ALL-AMERICAN CITIES IN COMMUNITY DEVELOPMENT. SOME OF THESE COMMUNITIES HAD DONE SOMETHING ABOUT IMPROVING THEIR ECONOMIC BASE THROUGH INDUSTRIAL DEVELOPMENT, RETAILING, AND TOURISM. OTHERS HAD IMPROVED THEIR SCHOOLS. MORE THAN ONE OF THESE COMMUNITIES HAD INITIATED PROGRAMS TO CLEAN UP LOCAL GOVERNMENT, PROVIDE RECREATION, PARKS, CIVIC CENTERS, IMPROVED WATER SUPPLY AND IMPROVED SEWAGE AND GARBAGE DISPOSAL. A DELINQUENCY PREVENTION PROGRAM WAS DESCRIBED IN ONE COMMUNITY. BECAUSE OF THESE ACTIVITIES, THESE COMMUNITIES HAVE ACQUIRED A SENSE OF COMMUNITY PRIDE.

I BELIEVE THAT THROUGH OUR COOPERATIVE ORGANIZATIONS AND OUR PROVIDING LEADERSHIP IN THE COMMUNITY WE CAN SOLVE GALBRAITH'S "AFFLUENT SOCIETY." HOWEVER, IT WILL REQUIRE LEADERSHIP - HOW MANY TIMES HAVE WE WAITED AROUND AN ELEVATOR AND THEN SUDDENLY DISCOVER THAT NO ONE HAD PUSHED THE BUTTON. SOMEONE NEEDS TO PUSH THE BUTTON ON COMMUNITY DEVELOPMENT, AND I BELIEVE IT SHOULD BE PEOPLE LIKE US HERE IN THIS ROOM.

MANAGEMENT CONSULTATION
KANSAS CITY, KANSAS

TOWN HOUSE HOTEL
MAY 15 - 17, 1963

PROGRAM

STAFF ASSISTANTS

WEDNESDAY- - - -MAY 15

- 8:00 - 9:00 A. M. REGISTRATION
- 9:00 - 10:00 A. M. (STAFF ASSISTANTS AND MANAGERS WILL MEET JOINTLY FOR WEDNESDAY'S PROGRAM.) GET ACQUAINTED - DISCUSSION OF OBJECTIVES AND PURPOSES OF CONSULTATION.
- ELECTION OF CHAIRMAN FOR NEXT YEAR.
ELECTION OF ONE MEMBER OF STEERING COMMITTEE.
- 10:00 - 10:15 A. M. COFFEE BREAK
- 10:15 - 11:00 A. M. VIEWPOINTS AND PHILOSOPHIES IN REGARD TO ROLE OF COOPERATIVES IN THE COMMUNITY.
ROBERT E. JOHANSON, DISCUSSION LEADER
- 11:00 - 12:00 PANEL - DISCUSSION OF WHAT THE BASIC PHILOSOPHY OF OUR BUSINESS ORGANIZATION SHOULD BE.
- ERIC NICOL, CHAIRMAN LLOYD HOLLISTER
JIM KELLY IRVIN SMITH
- 1:30 - 3:30 P. M. JOINT SESSION. DISCUSSION - WHAT CONSTITUTES MANAGEMENT DEVELOPMENT IN OUR CONSUMER-OWNED ELECTRIC SYSTEMS.
- JAMES GOLDEN, DISCUSSION LEADER
CHARLES BOULSON
CLYDE HUKILLS
- 3:30 - 3:45 P. M. COFFEE BREAK
- 3:45 - 5:00 P. M. USE OF VISUAL AIDS IN EMPLOYEE DEVELOPMENT.
- DISCUSSION LEADER - ROBERT WAY, OPERATIONS DIRECTOR
EASTERN NEBRASKA PUBLIC POWER
DISTRICT
- 7:00 - 9:00 P. M. VISIT DISPLAY OF MATERIALS AND FORMS AND DISCUSS USES.

THURSDAY- - - -MAY 16
PLANNING FUNCTION

- 8:30 - 10:00 A. M. CHANGES AND DEVELOPMENT IN THE MANAGEMENT FUNCTION OF PLANNING.
"FUNDAMENTALS OF PLANNING"
ERIC NICOL, DISCUSSION LEADER

STAFF ASSISTANT'S PROGRAM

THURSDAY - - - - - MAY 16 (CONTINUED)

- 10:00 - 10:15 A. M. COFFEE BREAK
- 10:15 - 12:00 PANEL - DISCUSSION ON PLANNING IN RURAL ELECTRIC COOPERATIVES.
"MANAGEMENT'S RESPONSIBILITY FOR EFFECTIVE BOARD PLANNING"
CLYDE HUKILLS
"BROADENING THE EFFECTIVENESS OF SYSTEM PLANNING"
EVERETT BRISTOL
"BEFORE AND AFTER ANNUAL WORK PROGRAMS" - CLARK HINSDALE
- ERIC NICOL - ADVISOR AND INNOVATOR

MANAGEMENT DEVELOPMENT

- 1:30 - 3:00 P. M. METHODS AND PROGRAMS - THE RESULTS APPROACH.
JIM KELLY - DISCUSSION LEADER
- 3:00 - 3:15 P. M. COFFEE BREAK
- 3:15 - 5:00 P. M. PANEL - STAFF ASSISTANT'S ROLE IN EMPLOYEE DEVELOPMENT.
"DEVELOPING EMPLOYEES " - NEVIN MCKINNON
"WHAT TYPE OF PROGRAM FOR THE ELECTRIC COOPERATIVE?"
HARVEY L. SCHMIDT
"HUMAN RELATIONS TRAINING - IS A FORMAL PROGRAM FEASIBLE
IN THE ELECTRIC COOPERATIVE?" - T. D. STOREY
- JIM KELLY - ADVISOR AND INNOVATOR
- 7:00 - 9:00 P. M. BULL SESSION - DISCUSS SOME OF THE THINGS WHICH COOPS
ARE DOING THAT ARE GETTING GOOD RESULTS - KICK AROUND
ANY PROBLEMS WHICH ANYONE MAY HAVE.

FRIDAY - - - - - MAY 17

- 8:30 - 10:00 A. M. IDEAS FOR IMPROVED PERFORMANCE APPRAISALS AND DEVELOPMENT
COUNSELING.
JIM KELLY, DISCUSSION LEADER
- 10:00 - 10:15 A. M. COFFEE BREAK
- 10:15 - 12:00 INNOVATIONS IN CONTROLS AND RESPONSIBILITY ACCOUNTING.
ERIC NICOL, DISCUSSION LEADER
- 12:00 - 2:30 P. M. JOINT LUNCHEON AND SUMMARY.

1963 STAFF ASSISTANTS SECTION SUMMARY

BY CLARK W. HINSDALE, JR.

FIRST SESSION

I. ERIC NICOL LED DISCUSSION ON FUNDAMENTALS OF PLANNING.

A. DISTINCTION BETWEEN PLANNING AND FORECASTING.

B. GROUP REVIEWED WORK UNION CARBIDE IS DOING IN SELF DETERMINATION OF OBJECTIVES AND OF USE OF STAFF ASSISTANTS.

C. PANELS: CLYDE HUKILLS - BOARD AND MANAGER RELATIONSHIPS
CONCEPT OF COMPLETED STAFF WORK
EFFECTIVE BOARD MEETINGS
CONTROL'S PLANNING

EV BRISTOL - LONG RANGE PLANNING - PRESENTED AN EXCELLENT PAPER ON THE DIMENSIONS OF LONG RANGE PLANNING AND THE FACTORS TO MAKE IT EFFECTIVE WHICH INCLUDED PLANS TO BUDGET AND BUILT-IN CONTROL THROUGH RESULTS CALENDAR.

CLARK HINSDALE -DISCUSSED PLANNING BEFORE AND AFTER ANNUAL WORK PROGRAMS.

SESSION ON "METHODS AND PROGRAMS - THE RESULTS APPROACH" CONDUCTED BY JIM KELLY.

THE DISCUSSION CENTERED AROUND THE "RESULTS APPROACH APPLIED TO POSITION DESCRIPTION WRITING." A SAMPLE POSITION DESCRIPTION WORKED OUT FOR THE GENERAL MANAGER'S JOB AT BLUE RIDGE WAS USED TO ILLUSTRATE THIS NEW APPROACH. WE STRUGGLED FOR SOME TIME WITH DEFINITIONS OF SUCH TERMS AS POSITION DESCRIPTION, OBJECTIVE, GOALS (AND THEIR DIFFERENCE IN MEANING FROM RESULTS), FUNCTIONS VERSUS ACTIVITIES. THIS CLEARLY POINTS OUT THE NEED FOR THE PRECISE DEFINITION OF TERMS SO THAT WE CAN TALK TOGETHER UNDERSTANDABLY.

JIM KELLY'S NEW RESULTS APPROACH TO WRITING POSITION DESCRIPTIONS INCORPORATES INTO THE FUNCTIONS THE OPTIMUM RESULT EXPECTED OR FINAL GOAL. JIM CHALLENGED US TO HELP MANAGERS THINK, WRITE, AND TALK RESULTS EXPECTED RATHER THAN SIMPLY ABOUT ACTIVITIES. THE PURPOSE, OF COURSE, IS MOTIVATION.

IN A DISCUSSION OF DELEGATING RESPONSIBILITY VERSUS DELEGATING AUTHORITY, WE AGREED THAT IT WAS DELEGATION OF AUTHORITY THAT WE WERE ATTEMPTING TO HELP MANAGERS DO, DEFINING AUTHORITY AS FREEDOM TO ACT WITHOUT REFERENCE TO THE "BOSS."

JIM KILEY CHALLENGED THE GROUP TO THINK IN TERMS OF PRINCIPLE AND TO TEST WHAT'S NEW IN TERMS OF THE ORDER ESTABLISHED BY PRINCIPLES. JIM RAISED QUESTIONS TO UNDERSTAND AND TEST THE RESULTS APPROACH FOR POSITION DESCRIPTIONS TO DETERMINE ITS APPLICATION.

OUR NEXT SESSION WAS A PANEL CHAIRED BY JIM KELLY ASSISTED BY (1) NEVIN MCKINNON ON THE SUBJECT OF "WHAT KIND OF TRAINING FOR TOMORROW?"

- (2) HARVEY SCHMIDT ON "WHAT TYPE OF PROGRAM FOR THE ELECTRIC COOPERATIVE" AND
- (3) DICK STOREY ON "HUMAN RELATIONS TRAINING - IS A FORMAL PROGRAM FEASIBLE IN THE ELECTRIC COOPERATIVE?"

NEVIN EMPHASIZED THAT TOMORROW'S TRAINING WOULD:

1. PLACE EMPHASIS ON DEVELOPMENT OF THE WHOLE MAN.
2. ENCOURAGE PROGRAMS OF CONTINUING EDUCATION THROUGHOUT SUPERVISORY CAREERS.
3. INCREASE EMPHASIS UPON SUPERVISORS FOR DEVELOPING THEMSELVES AND THEIR PEOPLE.
4. DEVELOP FURTHER THE CONSULTATIVE PROCESSES.
5. FOCUS ON RESULTS, NOT TRAITS.

NEVIN QUOTED DEAN STANLEY F. TEELE OF HARVARD WHO STATES THAT TRAINING AND DEVELOPMENT FOR POSITIONS OF TOMORROW WILL BE TAUGHT AS A CONCEPT RATHER THAN SKILLS IN THE HIGHEST AND LOWEST LEVELS OF ORGANIZATION SAYING, "THERE IS NOW SO MUCH TO KNOW ABOUT MEDICINE OR LAW OR ENGINEERING THAT WE CANNOT POSSIBLY TEACH A MAN TO BE A DOCTOR, LAWYER, OR ENGINEER IN THE YEARS THAT WE HAVE TO WORK WITH HIM. FROM NOW ON WHAT WE MUST DO INSTEAD IS TO TEACH HIM TO THINK LIKE A DOCTOR, A LAWYER, OR AN ENGINEER AND RELY ON HIM TO LEARN AS HE GOES ALONG."

HARVEY SCHMIDT DISCUSSED THE QUESTION OF SPECIALIZATION AND JOB SATISFACTION, THE APPROACH TO AND THE REQUIREMENTS FOR A MANAGEMENT DEVELOPMENT PROGRAM.

DICK STOREY IN HIS DISCUSSION OF HUMAN RELATIONS TRAINING, SHOWED US AN INTERESTING MANAGEMENT GRID APPROACH GRAPHICALLY COMPARING SEVEN MANAGERIAL THEORIES IN TERMS OF HOW EACH DEALS WITH:

1. ORGANIZATION NEEDS FOR PRODUCTION AND PROFIT, AND
2. HUMAN NEEDS FOR MATURE AND HEALTHY RELATIONSHIPS.

OUR DISCUSSION FOLLOWING THE PRESENTATION CENTERED ON THE ATTITUDE SURVEY AND ITS USE.

IN CONCLUSION WE FEEL THAT:

1. SYSTEMATIC PLANNED MANAGEMENT DEVELOPMENT IS A MUST FOR EACH COOPERATIVE.
2. THE PURPOSE FOR MANAGEMENT DEVELOPMENT IS TO MEET ORGANIZATION "RESULTS REQUIREMENTS" AND "HUMAN NEED" OVER THE LONG RANGE PERIOD.
3. THE GENERAL MANAGER'S VIEWPOINTS, OBJECTIVES, AND GENERAL SUPPORT OF MANAGEMENT DEVELOPMENT IS AN ABSOLUTE NECESSITY FOR ITS SUCCESS.

II. MANAGEMENT DEVELOPMENT

- A. MANAGERS OR LINE ROLE - KEY.

B. STAFF ASSISTANT'S ROLE -

1. TO ASSIST SELF APPRAISAL.
2. ARRANGE THE SITUATION FOR GOOD PRACTICE IN DEVELOPMENT COUNSELING.

C. SEPARATION OF - DEVELOPMENT IN PRESENT JOB COUNSELING.
CAREER DEVELOPMENT COUNSELING.
SALARY COUNSELING.

D. GREATEST NEED IS TO FOCUS ON THE DEVELOPMENT PART OF PERFORMANCE APPRAISAL.

BETTER JOB OF HOMEMADE ACTION PROGRAMS. THIS IS REAL BASIS FOR CAREER IN MANAGEMENT DEVELOPMENT. REVIEW VALUE SYSTEM; THEN PERSONALIZE AN ACTION PROGRAM FOR GROWTH.

E. TEACHING DOESN'T ALL NEED TO BE DONE BY MANAGER - HE CAN USE HIS SPECIALISTS BUT HE NEEDS TO TEST THE RESULT OF THE TEACHING.

(HENCE, IF THIS IS A DEVELOPMENTAL SESSION - THIS CONSULTATION FOR GROWTH OF STAFF ASSISTANT - WILL YOU TEST THE GROWTH RESULT OF YOUR STAFF ASSISTANT WHEN YOU GET HOME?)

III. INNOVATIONS IN CONTROLS AND RESPONSIBILITY REPORTING - LED BY ERIC NICOL.

- A. DOUG LEARY AND JIM KILEY DISCUSSED WITH US RESPONSIBILITY REPORTING ON THEIR SYSTEMS.
- B. THEY EMPHASIZED ITS PURPOSE - THE MOTIVATION THAT COMES THROUGH SELF DETERMINATION OF PROGRESS.

IF YOU COULD SUMMARIZE THESE THREE DAYS, WHICH YOU CAN'T IN A FEW WORDS, YOU MIGHT SAY THAT OUR ENLIGHTENED ADVANCED OR MODERN MANAGEMENT CONCEPT HELPS US TO SEE THE NEED TO GET ALL OUR EMPLOYEES INTO THE ACT - FOR RESULTS AND MAXIMUM JOB SATISFACTION. PARTICIPATIVE OR CONSULTATIVE MANAGEMENT THEN IS BASED ON THE IDEA THAT THIS METHOD OF ADMINISTRATION WILL GIVE US IMPROVED RESULTS USING THE PRESENT UNUSED POTENTIAL IN OURSELVES AND OUR EMPLOYEES, AND THAT ALL THIS WILL LEAD TO A MORE SATISFACTORY LIFE FOR OUR MEMBERS.

NOTE: ALL PANEL PARTICIPANTS FURNISHED COPIES OF THEIR PRESENTATIONS TO THOSE PERSONS IN ATTENDANCE AT THE CONSULTATION. IF YOU FAILED TO PICK UP A COPY OF ANY OF THE TALKS, PLEASE CONTACT THE INDIVIDUAL PARTICIPANTS REQUESTING A COPY OF THEIR PRESENTATION.

IDEAS DEVELOPED FOR FURTHER CLARIFICATION OF CONSULTATION'S OBJECTIVES

- A. WE BELIEVE THAT THE DYNAMIC APPLICATION OF THE PRINCIPLES OF MODERN MANAGEMENT PROGRAM IS ESSENTIAL TO THE SUCCESS OF CONSUMER-OWNED AND ORIENTED ENTERPRISES.
- B. WE BELIEVE THAT THE DYNAMIC APPLICATION OF THE PRINCIPLES OF A MODERN MANAGEMENT PROGRAM WILL OCCUR WHEN THERE HAS BEEN A MAXIMUM EFFORT TO EXCHANGE IDEAS AND EXPERIENCES WITH ALL WHO MAY BENEFIT MEMBER-OWNED ORGANIZATIONS.
- C. WE BELIEVE THAT THE DEVELOPMENT OF A PROGRAM OF MODERN MANAGEMENT PRACTICES WITHIN ALL RURAL ELECTRIC COOPERATIVE SYSTEMS IS ESSENTIAL TO THE SUCCESS OF THE RURAL ELECTRIC PROGRAM.
- D. WE BELIEVE THAT MODERN MANAGEMENT PRINCIPLES MUST BE UNDER CONSTANT STUDY AND REVIEW TO DEVELOP THESE PRINCIPLES TO THE END THAT WILL ENABLE OUR ORGANIZATION TO MAKE THE MAXIMUM CONTRIBUTION TO THE MEMBERS, COMMUNITY AND THE NATION.
- E. WE BELIEVE THAT THE ULTIMATE QUALITY OF COOPERATIVE SERVICES TO MEMBERS AND THE EFFECTIVENESS OF ITS BUSINESS SERVICE DEPENDS UPON THE DEGREE TO WHICH MANAGERS GROW IN THEIR SKILLS IN PROVIDING LEADERSHIP FOR SOUND BOARD-MANAGER RELATIONSHIPS AND ATTAINING THE FULL ASSUMPTION OF ACCOUNTABILITY BY BOARDS OF DIRECTORS.

TO THESE ENDS IT IS ESSENTIAL THAT FOR OUR CONTINUED PROGRESS AND IMPROVED MANAGEMENT WE MEET AND DISCUSS NEW IDEAS, NEW TECHNIQUES, NEW PRINCIPLES, NEW METHODS, AND EXCHANGE EXPERIENCES IN THE SUBJECT OF MANAGEMENT.

- F. WE BELIEVE THAT THE DEVELOPMENT OF A PROGRAM OF MODERN MANAGEMENT PRACTICES WITHIN ALL RURAL ELECTRIC COOPERATIVES STEMS FROM THE APPLICATION OF CONCEPTS TO OPERATING PROGRAMS.
- G. WE BELIEVE THAT THE ESSENTIAL ELEMENT OF ANY COOPERATIVE ENTERPRISE IS THE ADVANCEMENT OF OPPORTUNITIES FOR ITS MEMBERS AND THIS SHOULD ENCOMPASS THE DEVELOPMENT OF LEADERSHIP FOR INFLUENCING CHANGE AND ADDING TO THE CULTURAL, SOCIAL, AND ECONOMICAL VALUES AND EDUCATIONAL OPPORTUNITIES FOR THE PEOPLE.

KANSAS CITY CONSULTATION

Kansas City, Kansas

FUNDAMENTALS OF PLANNING

May 16, 1963

Presented by

Rogers, Slade and Hill, Inc.
30 East Forty-Second Street
New York 17, New York

FOREWORD

Long-range planning is becoming a must for growing businesses even though the rapidity of change and the complexity of events seem at first to make it next to impossible.

The essence of long-range planning consists of:

- a. Knowing where the enterprise wants to go
- b. Knowing as much as possible about the conditions it may expect to meet on its journey
- c. Outlining the ways and means of getting there in view of the conditions it expects to meet.

The following materials have been selected or prepared to reflect the rapidly evolving thinking in the field of long-range planning.

The materials have been arranged around a series of five exhibits which will provide the reference materials for use in the Kansas City Management Consultation on May 16, 1963.

OUTLINE

- A. Guides to Planning (See Exhibit A)
 - 1. What has to be taken into account
 - 2. What has to be done

- B. What Has to Be Planned (See Exhibit B)
 - 1. Key elements to be planned
 - 2. Some elements often overlooked for long-range planning

- C. Ten Areas in Which Objectives are Needed (See Exhibit C)
 - 1. Areas where performance can make or break a cooperative
 - 2. Why each is vital in long-range planning

- D. Characteristic of a Plan (See Exhibit D)
 - 1. Determining the dimensions of the planning task
 - 2. A basis for estimating the cost of planning

- E. Principles of Planning (See Exhibit E)
 - 1. What has been learned about planning
 - 2. How this growing knowledge can be applied on the job.

PLANNING PROCEDURE

GUIDES TO PLANNING

1. Why are we discussing long-range planning? What are the Reasons, factors, conditions indicating a need?
2. The Conditions (both internal and external, including environment) which should be taken into consideration in planning.

(Agricultural developments, economic trends, new products or services, merger possibilities, etc.)
3. The Broad Objectives of the Plan to be prepared. What end results are sought?
4. Broad Outline of the Plan

Its scope — concerns — characteristics
5. Approval of going ahead on basis of #3 and #4 above.
6. Organizing the planning staff and assigning responsibilities.
7. Establishing cooperation with all essential organization units.
8. Determining the specific outline of the plan, including its component parts.
9. Obtaining the necessary data.
10. Treating — evaluating — interpreting the data.
11. Formulating tentative conclusions and preparing tentative plans.
12. Testing the various parts (components) of the plan.
13. Preparing the final "draft" of the plan (all plans must have built-in flexibility, be adaptable to changing conditions).

14. Testing the plan

(Use of "models" or "pilot plants" or "mock ups")

15. Obtaining approvals necessary to put the plan into effect.

These approvals may involve policies, organization adjustments, financing or other changes in usual ways of operating.

PLANNING AND DOING: TWO PARTS OF THE SAME JOB

An excerpt from

The Practice of Management

by Peter F. Drucker*

The second blind spot of Scientific Management is the "divorce of planning from doing" — one of its cardinal tenets. Again a sound analytical principle is being mistaken for a principle of action. But in addition the divorce of planning from doing reflects a dubious and dangerous philosophical concept of an elite which has a monopoly on esoteric knowledge entitling it to manipulate the unwashed peasantry.

To have discovered that planning is different from doing was one of Taylor's most valuable insights. To emphasize that the work will become the easier, more effective, more productive, the more we plan before we do, was a greater contribution to America's industrial rise than stopwatch or time-and-motion study. On it rests the entire structure of modern management. That we are able today to speak seriously and with meaning of management by objectives is a direct result of Taylor's discovery of planning as a separate part of the job, and of his emphasis on its importance.

But it does not follow from the separation of planning and doing in the analysis of work that the planner and the doer should be two different people. It does not follow that the industrial world should be divided into two classes of people; a few who decide what is to be done, design the job, set the pace, rhythm and motions, and order others about; and the many who do what and as they are being told.

Planning and doing are separate parts of the same job; they are not separate jobs. There is no work that can be performed effectively unless it contains elements of both. One cannot plan exclusively all the time. There must be at least a trace of doing in one's job. Otherwise one dreams rather than performs. One cannot, above all, do only; without a trace of planning his job, the worker does not have the control he needs even for the most mechanical and repetitive routine chore. Advocating the divorce of the two is like demanding that swallowing food and digesting it be carried on in separate bodies. To be understood, the two processes have to be studied separately. They require different organs, are subject to different ailments and are carried out in different parts of the body. But to be nourished at all, the same body needs both, just as a job must contain planning as well as doing.

*Harper & Brothers, New York, 1954. Reproduced by permission of the publisher, Pages 284 - 285.

Taylor's divorce of planning from doing was both specifically American and specifically late nineteenth century. It is a descendant of our oldest tradition: the New England theocracy of the early Puritans. It puts the priestly-elite concept of Increase and Cotton Mather into modern dress, but leaves it otherwise almost unchanged; and like the Puritan divines Taylor deduced a God-given right of the planning elite to rule. It is no accident that we hear this right to rule described today as the "prerogative of management" — the term has always been applied to right by divine or priestly anointment.

But the divorce of planning and doing was also part of the elite philosophy that swept the Western World in the generation between Nietzsche and World War I -- the philosophy that has produced such monster offspring in our time. Taylor belongs with Sorel, Lenin and Pareto. This movement is usually considered to have been anti-democratic. It was — in intent and direction — fully as much anti-aristocratic. For the assertion that power is grounded in technical competence — be it for revolutionary conspiracy or for management — is as hostile to aristocracy as to democracy. Both oppose to it the same absolute principle: power must be grounded in moral responsibility; anything else is tyranny and usurpation.

The divorce of planning from doing deprives us of the full benefit of the insights of Scientific Management. It sharply cuts down the yield to be obtained from the analysis of work, and especially the yield to be obtained from planning. We saw in the IBM story that productivity greatly increased when the workers were given responsibility for planning their work. The same increase in productivity (not to mention the improvement in worker attitude and pride) has been obtained wherever we have combined the divorce of planning from doing with the marriage of planner to doer.

ESSENTIAL CLIMATE FOR PLANNING

An excerpt from

"Long-Range Planning" by Robert F. Dick

American Management Association,
General Management Series Number 173*

Regardless of who does your long-range planning — the chief executive alone or the chief executive in collaboration with directors, key executives, or special groups — an atmosphere must be established that is conducive to producing sound results. Let us therefore review some yardsticks for evaluating the planning climate:

1. Are there mutual confidence and respect between the planners and the doers, and are the right brains assigned to each? Are the decision-makers men of vision and courage? Political skulduggery merits no place at the planning table.
2. Is there an atmosphere of open-mindedness? Do we first demand and then base decisions on facts rather than fiction? How many of us erect a mental picture that says, "We have made up our minds — don't confuse us with facts!"
3. Are executives held to their commitments? To maintain the integrity and morale of the management team, do we insist that performance equal or better the commitment?
4. Do we reflect honest attitudes toward self-criticism? Instead of facing up to our problems, do we allow time to etch away mistakes? Unsolved problems can plague future plans to the point of ruin.
5. Do we have a flexible organization structure, coupled with the courage to revise it promptly to meet the needs of the business as changes in prevailing currents are indicated? Weak navigation puts many a good ship off its course.
6. Do we support some form of management development? In this process, are we facing up to the cure of the incompetent fringe? How many of us try every kind of nostrum to heal a bad executive situation when surgery is called for? Much training effort is waster because the basic executive framework has some deadwood. This deadwood should be trimmed through downgrading and disposal rather than receive a face-saving coat of whitewash.

7. Do we know what our price policy should be? Our distribution policy? And what about quality, product performance, research, and related factors? The planning climate will be deleterious unless we have spelled out policies upon which future plans are to be built. It is not difficult to know what kind of a climate we should have, but it may be difficult to create and maintain it.

LONG-RANGE PLANNING

An excerpt from

The Process of Management

by William H. Newman and Charles E. Summer, Jr.

The term "long-range planning" has no precise meaning. In practice, four different concepts have emerged as the most useful: thinking of long-run results of current decisions, making long-run forecasts and then adjusting to them, building an image of what the company should be, and developing a long-range program for the entire company. Executives should be able to distinguish between these concepts and know the purpose of each type of plan.

Tomorrow's Results of Today's Actions

During the course of a year, every company takes many actions that will have a direct effect on its health in future years. A decision by a railroad to buy or not to buy a thousand freight cars will affect its income for a quarter of a century. The selection and development of executives has an impact on current operations, to be sure, but it may also profoundly influence the strength and character of a company for years to come. Company research is clearly an investment in the future. Developing sources of raw materials, too, is a move that goes beyond immediate needs; building up reserves of petroleum, iron ore, and pulp wood may anticipate company requirements 20 to 50 years hence.

Simply making decisions on such matters does not constitute long-range planning. The distinctive elements of good planning in this respect are two: (1) Instead of basing actions on the assumption that present conditions will continue, managers should try to read the future, challenge the status quo, and apply imagination in appraising the likely value of an action in years to come. (2) They should attempt to fit the implications of these day-to-day decisions into some kind of consistent pattern. Raw material commitments, fundamental research, and the kind of executives selected, for instance, should all serve the same end.

The need for this type of long-range planning was evident in a specialty paint company. The president and chief stockholder was busy training his son in his own image, and the vice president in charge of marketing was actively establishing sales branches to serve customers with the

present line of products. Meanwhile, a small research operation showed real promise of developing some new paints. An objective look at the future would have revealed three likely developments: that the demand for present products would probably remain stable or decline; that the new paints, if successfully developed, would make an excellent addition to the line of a large company but would be hard to sell profitably by this firm; and finally, that the personal finances and tax position of the president would probably force his family to sell control of the company at the time of his death. This analysis, then, would have indicated that the firm should direct its current activities toward either remaining a small, stable, privately owned manufacturer of specialty paints, or becoming an attractive prospect for a merger with a larger paint company. Clearly, however, the company was conducting its present affairs without thinking through their long-range implications.

Any consideration of long-range planning raises the question of how long a span we should consider. The answer varies according to industry and subject. In the garment industry, for instance, the cycle from action today to results in the future is much shorter than in the paper industry, where current reforestation projects may not have practical results for 50 years. The span to consider is the time required to develop a resource (new product, raw material, executive talent, and so on) plus the period during which the resource will be useful.

Capitalizing on Long-Range Forecasts

In a second type of long-range planning, forecasts come first. Only then does a company try to figure out how it might take advantage of anticipated changes. This emphasis on looking for new opportunities is in contrast with the approach, described in the preceding section, wherein current problems dictate what is to be considered. One conspicuous success in this forward-looking approach was Sears, Roebuck & Company's entry into the retail store field. For years, the company had relied on mail order business, and that business continued to flourish. Nevertheless, Robert E. Wood, who later became head of the firm, studied population trends and forecasts. The decline in rural population and the rapid increase in urban population convinced General Wood that the great potential for Sears lay in capturing part of the urban market. His first proposal for entering the urban field met a cool reception from top management. But to General Wood, the trend of the future was clear and he finally was permitted to open one store as an experiment. The success of this unit led to additional urban stores, and today the retail business outranks the mail order business in volume. This whole development came about, not because of difficulties with current business, but because a forecast was translated into a business opportunity.

This type of long-range planning is similar to basic research in a laboratory. Conclusions are not clear until research is completed, and even then the task remains of conceiving how best to capitalize on what we have found. For example, we now foresee that an increasing proportion of the population will be over 65, yet not many companies have devised ways of taking advantage of this prediction either in terms of market or personnel.

Companies that follow this approach cite three benefits: (1) Possibilities that call for immediate action may be uncovered. (2) Planning premises for the future can be established, premises that are then available to executives throughout the company when they do make specific decisions having long-range results. (3) The attention given to future changes and to possible company action stimulates creative thinking — plans shift as new data and ideas are added, and this continual seeking and readjusting fosters a creative viewpoint in all executives involved.

Long-Range Image of a Company

A third type of long-range planning is to develop in the minds of key executives a model, or image, of what their company should be five, ten, or twenty years hence. This image should be a composite of all the long-range objectives of the company. It may be built in part on the types of planning discussed in the two preceding sections. But its unique quality is its emphasis on the company as a total unit.

Some individuals make a similar kind of projection for themselves. A man may try to picture in his mind what he wants in his life at, say, age 35 — the kind of a job he will hold, his family life, his house and other physical possessions, his role in the local community, and so forth. Perhaps he will also create another picture of himself at age 50. If he is realistic and serious about the matter, not just indulging in daydreams, such a long-range image can actually give him a sense of direction and a set of values that may be highly useful in making day-to-day decisions. No doubt he will modify the image with the passage of time, because of incorrect forecasts and unforeseen opportunities. Nevertheless, such a man has a type of long-range plan.

A man who has just started his own business, say, a management consulting firm, should think along similar lines. He must decide whether he wants the firm to consist simply of himself as the dominant figure with a few assistants, or to become a company with an identity and a

perpetuity of its own, like most manufacturing concerns or retail stores. He must decide whether the firm will operate locally, nationally, or internationally; he must settle on the range of services and types of clients to serve. He should think about the management methods he will use to operate the firm and the professional ethics he will observe in seeking business and using company information. When he has clearly visualized in his own mind, and perhaps put down on paper, the characteristics of the firm he wishes to build, he has a frame of reference as valuable as architectural drawings for a new building.

The resulting image should, of course, reflect not only opportunities for the company which have been revealed by careful prediction of economic and social conditions, but also a candid appraisal of the capabilities of the company. In addition, a substantial number of personal value judgments of what is worthwhile will be necessary. The final picture will probably consist of a mixture of realism, hope, and determination.

A long-range image, like any broad objective, is also useful in setting more immediate goals. And it may serve as a standard for measuring day-to-day decisions. As one realistic executive put it, "If a specific decision does not move us in the direction we want to go in the long-run, at least we should be aware that we are making a compromise just to gain some immediate benefit."

Perhaps the most enticing kind of long-range planning is a full-blown program for reaching a long-range objective. If a company is really serious about achieving some goal, should it not lay out the steps and muster the resources necessary for doing so? If programming makes sense for constructing a building or launching a new product, why not apply the same approach to matching an entire company to its long-range image?

The first step in this approach is to define objectives tangibly and meaningfully — as we suggested in Chapter 17. For most companies, the results expected in five years provide a reasonably convenient target, but some other period, such as three years or ten years, may be used if it fits better into a cycle of planning. After the goal is set, the actions necessary to achieve it should be laid out for each department or aspect of the business. These actions include not only programs for sales, production, finance, and similar functions, but also plans to provide the necessary resources, such as offices, machinery, plants, executive personnel, trained operators, organization structure, and capital. Typically, the progress to be made in each part of the total

program is specified for annual intervals. The essential characteristics of such a master plan are (a) that it is comprehensive — that is, it covers all major elements of the business, and (b) that it is integrated into a balanced and synchronized program for the entire operation.

Many companies use their existing budget machinery to prepare their "five-year plans." Income, expense, assets, and other accounts are simply projected for the period covered by a plan. This practice provides an easy way to express a future plan since existing records and systems for consolidating figures can be followed. But long-range planning effort may be dominated by financial people instead of being the genuine group effort of all the key executives; and planning may be restricted to what shows up directly in accounting records and may omit intangible items like product development, executive personnel, and organization.

To avoid these risks, other companies build their five-year programs around product lines. First, they work out programs that include sales volume in physical units, plant and equipment, key personnel, and specific activities necessary to reach the goal. Then, they translate these programs into budgetary terms. Cash requirements, of course, must be computed, and the entire program checked for financial soundness. But whatever the sequence of planning, the end result is a set of blueprints that lay out in broad terms the course of action the company hopes to follow over a given period of years.

Such a five-year program can lead to dangers as well as benefits. Inability to forecast feasible action is at the root of the major drawbacks: (1) Commitments may be made too soon for plant equipment, people, and so on. The existence of a plan naturally encourages an executive to get ready for it; but if a plan has to be modified, an executive may find that he is committed to people or to programs for plant expansion that no longer fit into the scheme. (2) Most of us are reluctant to change our plans after we have invested time and energy in their preparation. The more elaborate the plans, the more likely will rigidity be serious. (3) Planning entails a good deal of effort and expense, which may be wasted if the plan proves to be inappropriate when the time for action arises.

If a "five year plan" is to be used, top management must seek ways to reap the benefits, and at the same time minimize the dangers. The purpose is to anticipate difficulties and opportunities, to start tooling up so as to be ready to meet these problems when they arise, and to stimulate the motivation that comes with a feeling of "knowing where you are going and how you are going to get there." Here are three guides for reducing the dangers:

1. Distinguish sharply between plans and commitments; use the plan as a preview of things to come but take action only when there is a distinct advantage in doing so today as against waiting until better information about the future is available.
2. Spell out the long-range program only in such detail as is necessary to test its validity and to provide the basis for sound action today. This practice means that projects with long lead-times, such as constructing a dam, will be planned in much greater detail than projects that can be adjusted in a relatively short period, such as an advertising campaign.
3. Provide for at least annual revisions of the long-range program when objectives, steps, and schedules are reconsidered in light of new information and forecasts that were unavailable at the time of the last revision. Unless executives are prepared for this continuing reassessment, they will find long-range programming of little value to them.

These three concepts are illustrated in the planning procedures of electric utility firms. Long-term projections of the demand for electricity are made for 15 to 20 years in advance. These projections are later revised and broken down by geographic areas for a ten-year advance period; at that time sites are purchased for generating plants and for transmission lines; five years in advance of the anticipated need for service, estimates of capital requirements are prepared and tentative financial plans are laid; two years later, a formal construction budget based on engineering studies is prepared. Actual orders for equipment and construction are issued as late as possible but still in time to have service available when it is needed. At any of these stages, adjustment is likely in anticipated dates, volume, technology, or other aspects of the program.

The four concepts of long-range planning which we have discussed in this chapter are not alternatives; a company may use all four. If, however, an executive prefers to move cautiously into long-range planning, he probably should start by thinking through long-run results of his current decisions. Next, he can focus on forecasts which may indicate future opportunities he should start moving toward now. This thinking ahead, in turn, provides a sound basis for developing an image in his mind of what he would like his company to become. Then, and only then, is he prepared to make a meaningful three-, five-, or ten-year program. To jump immediately into a five-year budget, without doing the other analysis, will almost surely result in a superficial plan. As we have indicated at several points, there is no magic about long-range planning; unless

executives of a company can forecast the future of their industry with considerable reliability, and unless they have time and objectivity to divorce themselves from day-to-day problems, the benefits they derive will probably not warrant the effort long-range planning requires.

Conclusion

Deciding who should do what when is one of the intriguing parts of a manager's job. The basic steps in programming provide a useful way of attacking problems in this area. But, as we have seen, a manager must introduce enough flexibility into his programming system to overcome inevitable errors in forecasting, and he must give special attention to timing and strategy in scheduling his actions. And while he is maneuvering with immediate problems, he also may find that long-range planning gives him the perspective and guidance to keep moving on a deliberately selected course.

WHAT HAS TO BE PLANNED

VIEWPOINTS

OBJECTIVES

GOALS

SERVICES

POLICIES

RESOURCES

FACILITIES

WORK PROGRAMS

IMPROVEMENTS

ORGANIZATION

MANPOWER--Selection & Development

MOTIVATIONS

COORDINATION

CONTROLS

TEN AREAS IN WHICH OBJECTIVES ARE NEEDED

1. SERVICES
2. MARKET POSITION
3. INNOVATION
4. PRODUCTIVITY
5. PROFITABILITY
6. FINANCIAL AND PHYSICAL RESOURCES
7. EMPLOYEE PERFORMANCE AND ATTITUDE
8. MANAGER PERFORMANCE AND DEVELOPMENT
9. MEMBER PARTICIPATION
10. PUBLIC (AND GOVERNMENT) RELATIONS AND RESPONSIBILITY

1. Services

A cooperative is by nature a service organization. It was originally established to serve its members and it must continue to do so. This means more than simply supplying the product or service it was set up to supply — like farm supplies, electricity, credit or purchasing and marketing service. It calls also for providing the "extra touches" that win and hold members. For example, such extras may include a policy of filling all orders within twenty-four hours, or supplying additional farm information to members. Because competition easily leads to taking on more and more extra services, clear objectives are needed to maintain sound direction and to keep cost for services within reason.

2. Market Position

A business must first find out what its market is — who its customer is, where he is, what he buys, what he considers value, and what his unsatisfied wants are. On the basis of this study the enterprise must analyze the status of its existing products or services — its "lines" and what its goals should be. Goals are necessary in respect to desired standing in the present market, desired standing in new markets, profit-status of existing products, and services, development potential of new products and services in new markets, processing and distribution organization needed to accomplish new goals, and service policies to meet customer's wants.

3. Innovation

Innovation— something new—may arise out of the needs of the market and customer, or out of advancement of skill and knowledge applied to the products and services supplied by the enterprise. To set innovation objectives, management must first obtain a forecast of the innovations needed to reach its marketing goals, and secondly, it must appraise the technological advances already made that may affect its activities.

4. Productivity

Productivity is the ratio between the gross revenue received by a company from the sale of its services, and the amount paid out by it to provide the services rendered. Every enterprise faces the problem of finding the combination of the various resources at its disposal that will give the maximum output at the minimum cost or effort. Thus, the first objective of productivity planning must be to find the best utilization of the resources available.

5. Profitability

A profitability objective measures not the maximum profit the enterprise can produce, but the minimum it must produce. The simplest way to find this minimum is to focus on the function of profit designed as a means to obtain new capital. It is from this basis that most profitability objectives in use in American business today are derived. The head accountant may say, "We shoot for a return on capital of 25% before taxes." He means, "A return of 25% before taxes is the minimum we need to get the kind of capital we want, in the amounts we need, and at the cost we are willing to pay." No really adequate yardstick or method for measuring profitability is available today as a basis for setting objectives in this area.

6. Financial and Physical Resources

Planning for an adequate supply of physical and financial resources is primarily top management's job. To set objectives without planning for the money needed to make operations possible is like putting the roast in the oven without turning on the flame. These are areas where "crash decisions" should be at a minimum, based on emergencies or "acts of God". Such vitally important questions as, should new capital be raised internally by self-financing, borrowed long-term or short-term, etc., should be an integral part of an enterprise's long-range plans in all areas of the business.

7. Employee Performance and Attitude

To think through the problems in this area, to set objectives and standards, and to arrive at meaningful measurements — are among the greatest challenges to modern management. For planning that recognizes the necessity for understanding the motivations of the worker, that provides incentives of job satisfaction beyond financial awards, that incorporates concepts of consultative management, clear objectives are a necessity.

8. Manager Performance and Development

A business needs goals in respect to the performance of its managers, the setting up of their jobs, the spirit of the management organization, the structure of the management organization, and the development of managers to meet the needs of the future.

9. Member Participation

How actively do members share in the running of the cooperative?

Do they help nominate and elect directors?

Do they help plan programs for annual and district meetings?

Do they take part in member service programs of various kinds?

Unless members participate, a cooperative loses its real character. But continuing and meaningful participation is by no means assured just because a cooperative was started by present members. Hence, definite plans must be made for active member participation. This requires carefully formulated objectives as a basis for planning.

10. Public (and Government) Relations and Responsibility

Objectives in this area have to be set according to the social and political conditions which affect the individual enterprise and are affected by it. The fundamental beliefs or viewpoints of the business' management become the platform from which its managers transcend the confines of their own little world and participate responsibly in society. The overriding objective common to every business will be, to strive to make whatever is productive for our society, whatever strengthens it and advances its prosperity, a source of strength, prosperity and growth for the enterprise.

CHARACTERISTICS OF A PLAN*1. Complexity

This refers to the number and kinds of separate parts that make up the plan. How many and what varieties of people, things, actions and the like does the plan call for — and how are they interrelated? What means and methods will be required? What physical resources, what specialized skills, what equipment? The degree of complexity of a plan depends on such factors as the number of components of the plan, how many alternative ways might exist for handling each component, what guides or assistance are available, how technical the subject of the plan is, and to what degree the plan can be divided into various components.

2. Significance

The significance of a plan may be judged by the total cost of preparing it and implementing it, by the expected reduction in costs or increase in income as a result of the plan, and by the strategic nature of the plan or its components in relation to the over-all plan.

3. Comprehensiveness

This characteristic marks to what extent a plan embraces or affects more than one unit in an enterprise. In other words, to what extent it crosses organizational lines both within a department and between departments.

4. Time

This dimension includes such elements as the length of time it takes to prepare the plan, the lead time needed for major parts of a plan to get under way, the time required for full implementation of a plan and the total period of time in the future that is used as a basis for planning.

*Based on an analysis in Planning Theory by Preston P. Le Breton and Dale A. Henning, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1961, Chapter 2, "Dimensions of a Plan".

5. Specificity

This refers to the amount of detail that is stated or implied in the plan. Often a plan is set forth in broad terms at first, but then becomes more and more specific as it moves downward toward the point of accomplishment — and as the time for implementation approaches.

6. Completeness

Does the plan include all the components necessary to allow someone to decide properly on its adoption or rejection and on its implementation? Sometimes a plan is incomplete because the initial directive was vague or ambiguous. Or the planning job was given to unqualified people. In other cases, certain data is either unobtainable or there is not the money available to obtain the data.

7. Flexibility

Is the plan designed so certain components can be altered to meet unexpected changes in conditions? Perhaps a whole alternative plan is prepared. The chief virtue of flexibility in a plan is the protection against loss that might occur if there were no flexibility.

8. Frequency

Some plans occur only once or only a very few times in the life of a company. For example, starting the enterprise or moving it from one location to another. Other plans are parts of a continuous pattern, with the completion of one plan generating the need for starting another. Product planning is an example.

9. Confidential Nature

Plans are often considered confidential when disclosure might cause competitive disadvantage, produce ill feeling among persons in the company, or reveal matters of a personal nature.

10. Formality

Many plans are initiated by simple personal decisions — often by word of mouth. As a plan becomes more complex, more significant or more comprehensive, its authorization tends to be more formal. The same is true for the preparation, approving, implementation and control of a plan.

11. Authorization

Whether a plan is authorized on the basis of the expressed or implied authority of the initiator or by the specific action of a higher level of management, it is important that there be proper authorization in all cases.

12. Ease of Implementation

A lot can be done in preparing a plan to increase the ease with which it can be implemented. The more complex the subject matter and the more technical the nature of the plan, the harder it is to avoid difficulties in implementing it, and hence the greater the care needed in preparing the plan. A plan that is likely to arouse strong feelings — as in the case of changes that will affect jobs, for example — calls for great forethought in preparing for its implementation.

13. Ease of Control

Control is considered here as the measuring of performance against standards. Control of a plan, once it is in the implementation stage, depends to a large degree on how thoroughly the plan took into account the internal and external conditions which would affect it, and what provision was made to measure progress in the face of those conditions.

PRINCIPLES OF PLANNING

"Planning is the establishment of a blueprint for coordinating all the power under the control of management with conditions outside the control of management in such a way as to accomplish the objectives of the business."

"Planning is the ambition in a business. It is aggressiveness. It is an activity of the mind. It is the fact-inspired thinking, dreaming, and scheming, which can set up the objectives and lay out the road map to guide the development of the company in every department."

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1. Define the objectives (What do you want?)
2. Determine the priorities of the specific objectives.
(How much of what do you want, in what order?)
3. Determine obstacles that are in the way of your objectives.
(What's in the way?)
4. Think up the means and the methods for getting rid of obstacles.
(Think of all the possible ways and then select the best.)
5. Determine what will be required in the way of personnel.
6. Determine what will be required in the way of facilities,
including money.
7. Assign the responsibilities. (Who is to do what and how?)
8. Lay out a time schedule. (When is the work to be done?)
9. Set up measures for determining progress and results.
10. Determine what administrative action is required to get the
program approved and into operation.

SHORT- AND LONG-RANGE PLANNING

Most of us think of planning as a familiar, everyday activity, the activity that gets us through the shower and shave in time for breakfast, sends us to the job on time and determines the order in which we will take up the day's tasks.

In the sense that the word is used in Management, however, this careful ordering of the day's activities is scheduling rather than planning.

The function of planning always includes an element of choice. Theoretically, of course, a man has the choice of not eating any breakfast. In practice, if he skips breakfast it is likely to be the result of an unplanned forty extra winks and not, as the definition of Planning puts it, a "thoughtful determination and systematic arrangement of the elements required in the successful operation of an enterprise or project."

Scheduling is a part of planning and planning cannot take place without it, but the reverse is not true. Arranging that workday to allow for a dentist appointment and a trip to the lumberyard to buy some 2 x 4's is scheduling rather than planning.

Importance of Planning in Business

Planning is a creative activity, which deals with ideas, not just "things," and requires the imagination to anticipate the future and shape it to desired ends.

Planning is the very nerve center of business. It underlies or precedes every activity (yet it should be remembered that, if we stopped with planning, nothing would ever be accomplished).

It is the element of change and uncertainty in life that makes planning so important -- and so challenging. If the future were known with certainty, planning would be unnecessary. Scheduling known elements would suffice to bring order, regularity and logical priority to our activities.

But the future is not known to us, and from this fact arises the necessity of planning to achieve objectives.

Planning a Five-Step Process

Some writers on management feel that a manager should spend as much as one-third of his time planning — that is, thinking, judging, deciding.

This process covers five steps:

1. Determine the objective —
what is to be achieved?
2. Get all reasonably available facts.
3. Estimate the immeasurable factors.
4. Weigh alternatives and decide among them.
5. Lay down procedures for accomplishing objectives.

For example, suppose that the manager of a credit association is confronted with the prospect of a low net income at the end of the fiscal year. In fact, his new balance sheet in preparation will show no improvement in his net position over the preceding year although the past three years have shown growth in the amount of loans made.

He knows that two other finance organizations are reaching into his area and making loans to his potential members. Some plan of action to increase the productivity of operations will be required of him when he makes his annual report. He is convinced that during his past five years as manager he has improved sales methods and established a high morale among employees. He knows, however, that he has room for expansion in his market potential for loans in his area.

As he studies his balance sheet with the large, general objective of "improvement in his net income position" in mind, he can identify the primary or critical areas of his business which contribute to his present "low" position. He decides that both his business development expenses and his collection expenses are too high. He is now ready for determining some specific objectives for improvement that should yield some early results if he plans right. Others will require more "thoughtful determination" for future action.

Working with and through his subordinates, the manager begins to assemble his facts relative to the specific areas in credit analysis, business development, operating costs. His analysis, comparisons,

surveys and studies will show the areas for potential immediate improvement as he narrows down the field of "culprits." His determination that the "business development" area is the most promising will clarify and simplify his objective, assist him in classifying his pertinent, workable facts, and bring into focus the "immeasurable" factors with which he must deal. The specific questions that require answers now shape up in his mind, as — "What is involved?" — "What obstacles are to be overcome?" — "What relationships must be considered?", etc. Answers to questions bring out "alternative solutions," and alternative solutions require decisions.

The manager must weigh his alternatives in the light of his known facts and his best predictable outcomes to achieve his specific objective. If "improvement in services" shows most promise in giving him an improved position in his net income, then his final plan of action may require improved procedures involving the sales effort in the field, delivery services, inventory, member relations, or advertising. He will be fortified with the knowledge that his proposal to his board or owner has been determined in a professional manner.

Planning Skill

What kind of a person does it take to go through the process just described? What qualities are called for in the planner?

First, it is certain that no one is born knowing how to plan. Temperament (which people are born with) may have some bearing on ability to plan, but the skill itself is learned, and the attitudes and habits of mind that make for skillful planning can be acquired also.

In general, good planning calls for courage, honesty, patience and self-knowledge. Planning requires:

- Willingness to take considered risks (to predict, forecast.)
- Willingness to reach for and accept responsibility for results that cannot be fully controlled in advance.
- Willingness to be self-critical.
- Willingness to admit mistakes and not be defeated by them.
- Patience and a disciplined mind.

The Factor of Time

A modern authority on management principles and practices states:

"Since change is a fundamental idea in planning, it follows that time is also a central element, for change occurs and is meaningful only through particular spans of time. The time span which planning covers ranges from a relatively short-run to a relatively long-run duration.

"Short-run planning then is that which is concerned with the relatively near future, the next week, month or three months, or one to two years. On the other hand, long-run planning may attempt to foresee conditions and courses of action for ten, twenty or even fifty years or more ahead

"IT IS IMPORTANT TO GRASP THE IDEA THAT LONG- AND SHORT-RANGE PLANNING ARE TWO ASPECTS OF THE SAME CONTINUOUS PROCESS. SUCCESS IN PLANNING DEPENDS ON THE ABILITY OF EXECUTIVES TO ACHIEVE AN INTEGRATION OF THE TWO TYPES."*

How to Go About Planning

Suppose that a manager of a farm cooperative decides that his goal is to increase the amount of sales 20% during the coming year. How does he go about planning to accomplish this?

He could decide to rely on economic forces — "good times" and a growing population — to bring this increase about. No manager worth his salt would take this risk consciously — although lack of understanding of the function of planning often results in this kind of laissez-faire approach to improvements.

More likely, he will look to past experience, his own and that of others, and, based on what has happened previously in somewhat similar circumstances, will map out a course of action.

We can, of course, learn a great deal from both our own experience and that of others. The trouble with relying on this approach to planning is that it does not give full weight to the differences between present and

*Donald E. McFarland, Management Principles and Practices, The Macmillan Company, New York, 1958, pp. 71-72.

past circumstances. Planning based on experience also fails to call sufficiently upon creativity — the ability of people to innovate — and therefore the improvements accomplished by planning which is based primarily on experience are likely to be minor.

A far better approach is scientific planning.

What Does "Scientific" Mean?

The word "science" is rather awesome and to many of us calls up visions of a laboratory full of complicated equipment and men in white jackets working on problems which, to us, are obscure indeed.

Actually, the word "science" describes a method. And that method is applicable in business as well as in electronics or nuclear physics. The method of science (that is "scientific" method) is a four-step process:

1. Ask questions
to direct.....
2. Observations
which are....
3. Accurately reported
to
4. Establish or revise beliefs or assumptions
.....after which the process starts again
and conclusions are revised on the basis
of any new evidence.

Scientific method need not deal solely with concrete "facts." Our observations may tell us that we cannot at present determine certain information. This, then, becomes the "fact" and it is weighed in as an "imponderable" — something we can't measure.

The manager who does "scientific planning" then, first looks at his problem and asks questions about it. It has been said that, in business, the ability to ask the right questions is more important than the ability to come up with answers, and here is one instance where that statement is quite true.

The nature of the questions the manager asks will determine the nature of his plans, their true objectives, and probably their ultimate success or failure.

Determining the Soundness of Objectives

How can a manager determine whether the objective of his planning is sound? An objective is sound if —

1. It is important.
2. It is practicable.

Importance

There is no point in planning to achieve trivial ends. The mere fact that a plan is called for indicates that the objective is important.

Practicability

A plan must have a good chance of working out well. It should be realizable with present or obtainable facilities and manpower. It should be within the capacity of the people assigned to carry it out. It should have realistic time limits. It should be consistent with and not obstruct other, more important plans. It should not entail risks greater than are justified by the opportunities it presents. All this should be considered before deciding on the final plan.

The fact-gathering step (including informed opinions as well as "facts") follows the question-asking step and this process covers steps 2 and 3 — observing and reporting. It is at this stage that the open-minded, unemotional attitude characteristic of the ideal scientist is so important.

Now, with facts, informed opinion, and unmeasurable factors brought together, the manager can identify alternatives and decide among them. The answer he finally comes up with, and for the accomplishment of which he lays out procedures, is not a "final" answer but a working plan or hypothesis to be changed and amended as new observations show the need for re-planning. The "new observations" develop out of the actual operations of the plan — how is it working? What snags are being met?

The Management Point of View in Planning

It is in doing this kind of scientific planning that the advantage of thinking about management functionally becomes apparent. The manager who continues to think of himself as a store manager or a service station manager — as a salesman, accountant or scheduler — will fail to grasp the significance not only of planning but of other functions of management — organizing, directing, coordinating and controlling.

He is likely to concentrate exclusively on current operations, run a one-man show, fail to consult and delegate, and commit all the other management sins which spell trouble for an organization that is competing in a dynamic, free-enterprise economy.

Types of Work Plans

What types of work plans does the manager have to carry out? What areas will his plans be likely to cover?

Looking at an over-all goal such as "increasing business 20%" it is apparent that several plans will have to be put into operation to achieve the aim. Not everything can be planned at once, so one of the first questions asked might be "what is the priority of needs?" Is the "need" that of convincing farmers of using the products or services the cooperative sells or is it that of convincing him that the cooperative idea is sound.

The other segments of the over-all plan needed to achieve the goal will be tackled in turn (or perhaps simultaneously if the manager has qualified subordinates and knows how to delegate authority.)

Some of the other plans that will almost certainly have to be prepared include:

- A plan for attracting, retaining and developing people necessary to handle increased volume effectively. (Such a plan would look ahead, not one year, but ten years or more.)
- A plan for selling the value of the goods or services the cooperative handles which will contribute to increasing the volume of sales.
- A plan for keeping costs down.

The key to making all the parts of an over-all plan work is, of course, coordination. Long-range and short-range plans must be consistent. A long-range plan which calls for recruiting and developing high caliber employees is not consistent with a short-range plan (or lack of one) which condones low salaries and a stingy vacation policy.

There are standing plans — such as policies — and one-time use plans, such as the plan to celebrate the twenty-fifth anniversary of the business. There are broad plans (objectives are typical of broad plans) and detailed plans such as would be needed if a new bookkeeping machine were purchased and installed.

Whatever their type, whatever they relate to, plans must be consistent with each other.

Tools of Planning

In making plans, the modern manager has at his disposal various tools which can make his planning easier, more accurate, and subject to good controls.

Budgets are one of the most useful tools of planning. Budgets are often stated in terms of dollars, but they may be stated in terms of numbers of people, man-hours, product units and other measurable items. They need not, therefore, be thought of as limited solely to financial planning.

Forecasts are another planning tool. The skillful use of forecasts provides the manager not only with a planning tool but with a control as well.

Forecasts include not only those made by the organization itself but those of economists, population experts, weather bureaus and others who come up with useful predictions.

Policies and Procedures are valuable tools of planning since they define the limits within which the manager may operate. The policy covering vacations, for example, is a tool in planning the expense budget since it tells the manager how much money must be budgeted for vacation pay for his employees. It is also useful in setting up realistic timetables for the completion of projects and in allocating manpower.

Other planning tools include the setting of realistic but firm deadlines, the use of standards such as those outlined in position descriptions, and the use of statistics made available by government bureaus, the organization's central office and other agencies.

Characteristics of a Good Plan

Based on what has been said so far about work planning, several characteristics of a good plan can be identified. The good plan is:

1. Both Stable and Flexible

That is, it provides firm direction, is easy to follow, but, at the same time allows for variations and exceptions. For example, a good employee recruiting and hiring plan will specify in general the kinds of people who make desirable employees. At the same time, it will provide for making exceptions when an exceptional person shows up. The flexible financial budget is another example. It is stable in that it sets the limit of expenditures but flexible in that these limits may be varied if the level of output changes.

2. Properly Timed

A good plan is consistent with the prevailing spirit, neither too radical nor too conservative for the personalities and situations it must deal with. In other words, it is strategic.

3. Clear and Understandable

A good plan can be written down in clear, logical steps. If a plan can't be reduced to writing, there is probably something still to be thought out. A plan must not only be understandable, but understood. That calls for explaining its purpose and functioning to all those who must help to put it into operation or who will be affected by it.

4. Finally, a Good Plan Works

It is effective in attaining the objectives for which it was established. The guiding star of all planning operations is the question "will this (step, move, proposal, etc.) help accomplish the end or aim of our plan?" If the plan won't work, all the neat charts, careful budgets or employee meetings that may have gone into it will not count for very much.

Planning, as we have previously discussed, is one of the primary functions of management. It involves the selection, from among alternatives, of enterprise objectives, policies, procedures and programs. It is, thus, decision-making affecting the future course of the enterprise. It is to a large extent the job of making things happen that would not otherwise occur. Planning is an intellectual process — the conscious determination of courses of action, the basing of decision on purpose, facts and considered estimates. At its best, planning represents a happy combination of art and technique* requiring analytical ability, skill and ingenuity, resourcefulness, understanding of the forces which motivate human action, imagination and foresight, and the exercise of judgment.

In many respects, the development of the art of planning has been similar to the development of flying. The most important asset of the early pilot was a kind of intuition which enabled him to "fly by the seat of his pants." He had few instruments, fragmentary weather reports, a plan of limited range and capabilities, but he also had unbounded faith in man's ability to fly. The airplane industry has, however, now developed a whole series of devices which have taken much of the guesswork out of flying.

The modern businessman, too, has at his command an extensive set of guides and controls that were not available a generation ago. But technique is no substitute for art. The expansion of knowledge applied to practical problems through technology has by no means simplified the problems of management — and least of all, the problems of planning. The complexity of our society and its dynamic quality call for the type of planning that is born of wisdom and that is inspired by what some leaders have so aptly called "the vision of excellence." It is this quality that is required of management today in successful Long-Range Planning.

The Multiple Horizon of Planning

A survey of business planning in 1952 by The National Industrial Conference Board** disclosed, as might be expected, that business varied considerably in the period for which they planned. The range was largely from one to ten years, with three to five years appearing to be the most common term for long-range planning. The study disclosed a tendency toward lengthening the planning term. The long-run period tends to be picked on the basis of the period of years in which the management has some confidence that predictions bear a permissible degree of validity.

*Bursk and Fenn, Planning the Future Strategy of Your Business, McGraw-Hill Book Company, Inc., New York, Page 51.

**"Industry Plans for the Future"

Conference Board Business Record, August 1952, Page 324.

The logic in selecting the right time-range for planning seems to lie in the nature of investment or resources of the enterprise. Capital is the lifeblood of enterprise, and when expended, there must be reasonable possibility of recovering it through operations. This recovery of cost principle may be applied to short-range as well as long-range planning, although the arbitrary limitation of the short-range plan to conform to fiscal quarters of years of the accounting period may have a stifling effect upon the realization of the principle. It is a serious error to make short-range plans without reference to their relationship to long-range planning.* Many of the wastes of planning arise from decisions relating to immediate situations that fail to consider the effect of the action on more remote objectives. Responsible managers must provide continual scrutiny of the most immediate decisions to determine whether they contribute to the long-range programs. It is far easier to assure that short-range planning is consistent with long-range plans than it is to correct inconsistencies after they are made. Short-term commitments tend to set precedents for further commitments along the same line.

Long-Range Planning Premises

Management needs to make a rigorous analysis of planning premises and to develop a high order of understanding of the nature of these premises. Planning premises are essentially forecasts since they represent events expected in the future. An enterprise must forecast to determine future business conditions, average volume of loans outstanding, and such forecasts furnish premises against which plans are developed.

Planning premises* may be divided into three groups.

1. Those that are non-controllable in the sense that the business cannot do anything about them. Such premises as population growth, future price levels, political environment, tax rates and business cycles belong in this group.

*Koontz and O'Donnell, Principles of Management, McGraw Hill, 1955, New York, page 456.

2. Those planning premises which may be regarded as semi-controllable in the sense that the business cannot control them but can influence their happening to some degree. In this group are found such factors as assumptions in regard to the share of the market, the character of labor, turnover, labor efficiency, and company price policy.
3. Those planning premises controllable by the business as— company loan policies and programs, expansion into new areas, adoption of a public relations program, or selection of a site for a new service center.

The job of planning is simplified if its premises are clearly set forth. The more accurate the forecasts the more accurate the blueprint of action necessary to facilitate the plans. Accuracy and reliability of forecasting lie behind good planning. However, because the future cannot be seen with accuracy, it is good business to have alternative sets of premises and alternative plans based upon these.

The Projection Factor in Long-Range Planning

One distinct quality found in the long-range plan is in its projection factor. As the timetable is pushed further out into the future the reliability of the premises upon which the planning is based correspondingly depreciates. Quantitative values are increasingly affected by the qualitative values — the controllables move toward the semi-controllable status.

Each projection should be made by two or three persons individually as well as by team or committee action. Projections should be made first of objectives of functions which can be analyzed in the most factual way, and last for functions where greater assumption and guesswork is involved.

The plan of action in respect to a projection should recognize the cross-referencing effect upon related functions of the business. The growth line graph depicting the long-range progress toward the accomplishment of a future objective, should show the correlated effects upon other functions of the business.

The five-step process in planning previously outlined as well as the sections dealing with Planning Skills, Principles and Business Elements that Need to be Planned apply equally well to long-range planning as to short-range.

Criteria for Pre-Testing a Long-Range Plan

Management should apply certain basic questions to its final plans as a measure of the reliability of the plan before putting the plan into action. What are the earmarks of a given plan that tell management it is a good plan? Six Criteria* in the form of questions can be asked:

1. Have the key influences in the growth of the business been determined and evaluated?
2. Have the strengths and weaknesses of the business been accurately evaluated?
3. Have the capacities of the different company functions to support the plan been projected far enough ahead?
4. Is there a practical timetable?
5. Have alternatives been considered?
6. What provisions have been made for future reverses?

The Management Scientist who wishes to explore other modern scientific approaches to his long-range planning will delve into the intricacies of the Decision Laboratory** procedures. Operations Research, the science of decision-making, utilizes the techniques of mathematics, statistics, economics and other disciplines to help solve operating problems and determine business policy. A principal tool of Operations Research is the mathematical model, which describes in a quantitative sense the operations of a real process or system. Basically it can be thought of as a computing procedure. The computer has now become an electronic assistant to the management scientist.

LONG-RANGE PLANNING IS ONE OF THE MOST CREATIVE ACTS OF MANAGEMENT. IT GIVES MANAGEMENT A TREMENDOUS ADVANTAGE IN COMPETITION. IT IS VIEWED BY MANY EXECUTIVES AS "PROFIT INSURANCE."

*Bruce Payne, "Steps in Long-Range Planning" Harvard Business Review, March-April 1957, Page 95.

**See "Pre-Test Your Long-Range Plans" by Platt and Maines, Harvard Business Review, January-February 1959, Page 119.

BLUE RIDGE

*Electric Membership
Corporation*

GENERAL OFFICES

LENOIR, NORTH CAROLINA

JULY 11, 1963

MEMORANDUM TO THOSE PERSONS ATTENDING 1963 MANAGEMENT CONSULTATION

ATTACHED IS THE SUMMARY REPORT OF THE 1963 MANAGEMENT CONSULTATION. I HOPE THE DELAY IN GETTING THIS INFORMATION TO YOU WILL NOT REDUCE ITS USEFULNESS. A FEW COPIES OF EACH OF THE PRESENTATIONS MADE AT THE CONSULTATION ARE IN OUR FILES AND I WILL BE HAPPY TO SEND A COPY OF ANY PRESENTATION UPON REQUEST.

THE GENERAL MANAGER, CECIL VIVERETTE, HAS BEEN ON LEAVE AND IN BOLIVIA SINCE THE FIRST OF JUNE. HE WRITES ENTHUSIASTIC REPORTS ABOUT THE ELECTRIC COOPERATIVE FORMED IN THE SANTA CRUZ AREA. HIS LETTERS TELL US THAT THE COOPERATIVE ALREADY HAS 6,000 MEMBERS WITH A POTENTIAL OF 20 TO 30 THOUSAND AND THE POSSIBILITY OF SEVERAL LARGE INDUSTRIAL LOADS. THESE INDUSTRIAL LOADS ARE THE SUGAR MILLS WHICH ARE PRESENTLY GENERATING THEIR OWN POWER. I AM SURE MR. VIVERETTE WOULD LIKE TO HEAR FROM SOME OF YOU. HIS ADDRESS IS:

MR. C. E. VIVERETTE
COOPERATIVE RURAL DE ELECTRIFICACION
CASILLA 400
SANTA CRUZ, BOLIVIA
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SINCERELY,

Barbara

(MRS.) BARBARA H. DEVERICK
STAFF ASSISTANT

BHD:cwb

ENCLOSURE