
REPORT OF
MANAGEMENT CONSULTATION

TOWN HOUSE HOTEL

KANSAS CITY, KANSAS

MAY 19, 20 & 21, 1960

This summary report of the Management Consultation held in Kansas City, Kansas, May 19, 20 and 21 is being prepared by Jim Kiley and myself as a result of our last minute assignment as co-chairmen of this Consultation. Willard Grager and Laurence Moderow of Cass County at Kindred, North Dakota were originally assigned the chairmanship, but due to Willard's very serious automobile accident just prior to the Consultation, he and Larry were unable to attend.

Enclosed in this report are summaries of each of the four discussion sessions held at the Consultation.

Although attendance at this Consultation was considerably less than was anticipated, I feel that the discussion sessions were very productive and that everyone attending got a lot out of the meeting.

I would like to express for the participants in the Consultation our sincere appreciation for the fine job that ~~both~~ Eric Nicol of Rogers, Slade and Hill and Jim Kelly of NRECA did in preparing the reading lists and study material prior to the meeting and in leading the discussion sessions at the Consultation.

Wesley M. Jackson of Tennessee Valley Electric Cooperative, Savannah, Tennessee and his Staff Assistant, James Garey, have been named co-chairmen for the next Consultation.

Virgil H. Herriott, General Manager
Sioux Valley Empire Electric Association, Inc.
Colman, South Dakota

ANNUAL WORK PROGRAMS

(Summary of discussions of Annual Work Programs held in the Manager's section of the Management Consultation, Kansas City, May 20, 1960)
Discussion Leader - Eric Nicol, Rogers, Slade & Hill

Annual Work Programs can be one of the most useful tools of modern management in carrying out an effective management program. Although very little information has been formally compiled and published in the form of pamphlets, books and other little literature, a little creative imagination on the part of the manager and his staff will produce an Annual Work Program that will be "tailor-made" for the particular rural electric cooperative.

Annual Work Programs may be either detailed "task lists" or generalized project areas as required by the particular system. Past experience has shown that a generalized program is generally suited for a system with department heads who are capable of going forward with their responsibilities and authorities without detailed supervision. A detailed Annual Work Program may be desirable where department heads are hesitant to move forward without detailed guidance.

Annual Work Programs should not be a projection of past experiences or activities. It should be based on needs of the future. Some systems have found that it is desirable to break the needs of the future into three categories, namely: (a) projects that must be done; (b) projects that should be done; and (c) projects that it would be nice to do.

Systems that have successfully used the Annual Work Program have found that it is first desirable for the manager to take a general overview

of the system and determine the pace for the activities of the coming year. He might outline a general aggressive program if he feels that the system may not be up to standards in its various operations and load growth is rising at an above average pace. He might outline a moderate program if the system has observed good practices and is generally up to standard in its various operations and load growth is not presenting a serious problem. A manager might outline a conservative program for the activities of the coming year if economic conditions are on a downward trend or there are other unstable situations present that may make it desirable to more or less maintain "status quo" for the time being.

There are several means of establishing an adequate Annual Work Program. Eight basic steps have been developed and successfully used by systems who regularly develop Annual Work Programs. These are as follows:

1. Hold staff meeting to determine scope and need for an Annual Work Program.
2. Determine the objectives of the Annual Work Program.
3. Determine criteria (This is the manager's pace-setting step.)
4. Assign study and research needed.
5. Arrange for the coordination of the development of the Annual Work Program (This would be the duty of the Staff Assistant if available.)
6. Assign to the department heads the preparation of department work programs - encouraging them to use their subordinate personnel as much as possible in the development of their program.

7. Arrange for the necessary coordination of planning of activities that cut across department lines.
8. Review and get agreement of top staff group on each department work program and on the consolidated work program.

Once the Annual Work Program has been prepared and published it can serve a number of useful purposes. It can be used as a foundation for the preparation of the budget. Some systems have found it to be desirable to submit their Annual Work Program to their Board for conditional approval and from this conditional Annual Work Program they develop the budget which is submitted to the Board. Approval of the budget then becomes the approval of the Annual Work Program also. Systems that have had experience in the area of Annual Work Programs have placed a caution sign on the idea of placing too much emphasis on the dollars while formulating the Program. They have advised that too much money cautiousness tends to restrict creative thinking and planning at the outset. The dollar sign should not be attached too strongly to the various projects until the complete program is assembled in its near-final form.

Desirable results have been realized by the systems who have initiated and continued the practice of preparing Annual Work Programs. They have found that their Boards have relaxed their attitude of wanting to review or approve all the various details of operations, such as expenditures for equipment, etc. Coordination between the various departments improved because it was impossible in some areas for departments to prepare their Annual Work Program without the advice

and assistance of other departments. The final adoption of the Annual Work Program constituted clear-cut delegation and authority to go forward on the various projects and the requirement of close supervision or scrutiny by the manager was greatly reduced, and in many cases, almost eliminated.

The desirability of a good Annual Work Plan can be summed in one simple statement: The better we plan, the better the operating results!

Wesley M. Jackson

THE PHILOSOPHY AND PRACTICE OF DELEGATIONS

(Summary of discussions of The Philosophy and Practice of Delegations held in the Manager's section of the Management Consultation, Kansas City, May 19, 1960) Discussion Leader - Jim Kelly, NRECA

The subject assigned the Manager's group for the first day of the Consultation was entitled "The Philosophy and Practices of Delegations." I'm not sure that the actual title assigned exactly fitted the discussion but, nevertheless, the matter of delegation was the principle subject of discussion. James Kelly, Management Consultant, NRECA, served as discussion leader.

One of the interesting observations early in the meeting was this thought: "Authority is delegated and moves downward, while responsibility is better thought of as being shared rather than delegated and responsibility moves upward, as a result of authority moving downward within the organizational structure."

Another statement presented was that "delegation is one of the areas of management philosophy which calls for broad understanding and a set of attendant techniques which enhance the process of management improvement."

It can be said that delegations are necessary so that you don't end up with a \$5 man doing a \$1 job. Also, that you delegate authority to individuals so that there is responsibility for results.

During the course of the discussion, it was resolved that the following are some of the situations which exist relative to delegations:

1. Delegations are not always accepted by those to whom they have been made.
2. Not all subordinates are qualified to accept delegations made to them.

3. The subordinate often lacks the continuity of philosophy needed to accomplish the delegation.
4. Often there is lack of a proper "climate", understanding, board and manager relations, etc. to enable proper delegations within the employed staff.
5. Often there is a lack of the proper member educational programs and thus the member and board relations do not establish a climate favorable for the board to make general delegations to the manager.
6. Often there is a lack of understanding of what, when and how to delegate.
7. Often when delegations have been made to and accepted by the subordinate, he fails to keep his supervisor informed. Controls and communications lacking.
8. Often the supervisor fails to drop the responsibilities formerly his when changes, promotions, growth, etc. occur.
9. When there is physical and managerial decentralization, the necessary delegations are not made.

These situations can, and often do, lead to a number of problems.

Some of those enumerated were as follows:

1. A failure to realize that there is an "on going" process in the evolution of a management improvement program and that a defensive behavior can be the result.
2. It can present a problem of personal relationships such as:
 - a. The "I can do it myself" philosophy.
 - b. The lack of ability to "direct" in the broad sense of the word.
 - c. Lack of confidence in the ability of subordinates.
 - d. The lack of proper and appropriate controls.
 - e. The lack of delegations, properly understood and practiced, creates the problem of the subordinate being unable to fully understand what his boss wants and often leaves him uncertain as to his standing with the boss.
 - f. The failure to recognize that an exchange of views is not necessarily a questioning of authority.

3. One of the problems involved in making delegations is that on occasions the organization is understaffed so that appropriate and proper delegations cannot be made to the lowest practical level.
4. Managers and other key employees who have a knowledge of the theory for delegations are not translating this knowledge into practice.

The group considered possible solutions to the question of How can we do a better job of delegating and translating our knowledge into action?

There was general agreement to the following points:

1. There needs to be a formalized organizational structure designed and motivated to achieve the objectives of progressive management.
2. There is a need for the best possible use of appropriate communication devices--staff meetings, regular appraisals, conferences, etc.
3. There is a need for standards to be set or results to be defined such as through the adoption of policies, plans, work programs and budgets.
4. There is a need for establishing appropriate control mechanisms which will in turn establish the need for any replanning necessary.

Virgil H. Herriott

IMPROVING YOUR PERFORMANCE APPRAISAL PROGRAM

(Summary of discussions of Improving your Performance Appraisal Program held in the Staff Assistants Section of the Management Consultation, Kansas City, May 20, 1960) Discussion Leader: James D. Kelly, NRECA.

The experiences of the group were brought out and discussed. There was a wide variance of approach to performance appraisals by the members of the group. These practices varied from trait centered, to activity centered, to the use of a blank sheet of paper by the supervisor on which he made notes of the discussion between him and his subordinates.

Recognizing a wide variance of not only practices but of the concept of performance appraisal, Jim Kelly led the group through a discussion of what some of the problems were that the group had encountered and what solutions might overcome these problems.

The discussion that followed revealed the following:

1. There appeared to be a lack of understanding of the objectives of performance appraisals caused by the fact that the objectives were not defined in terms of what we wanted performance appraisals to achieve and effective means of communicating these objectives to our people had not been utilized.
2. There is a lack of skill in the techniques of appraisal review and interview caused by the absence of formal training programs on interview techniques.
3. There is a lack of measurable standards caused by the failure to develop meaningful work goals, to adapt the present accounting system to the responsibilities of people and to instill in our employees the attitude of accomplishment in terms of objectives or goals rather than specific activities.
4. There is a lack of interest and effectiveness of the over-all program caused by the failure to grasp the true concept of performance appraisals in terms of the development of challenging action plans geared toward the growth and development of people.

5. There is confusion among those being appraised caused by an organization structure that is incompatible with performance appraisal practices. (Where a subordinate reports to more than one supervisor.)

Several interesting reading assignments were discussed by the group.

Of particular interest was a report titled "Performance Appraisal and Review" from the Foundation for Research on Human Behavior, P.O. Box 11, Ann Arbor, Michigan. This report covered the results of the discussions of several leading business men, educators and personnel men on the subject of performance appraisal and review. The report reviewed past practices and approaches to performance appraisal and discussed in detail the results of conventional programs.

Particular emphasis was placed on the separation of the review process with the employee from the actual appraisal. The most important part of the appraisal program in terms of results and effectiveness is the review process. Here is the key to initiating growth, development and peak job performance.

Three approaches to the review process were discussed. They were:

1. The Tell & Sell approach - where the supervisor dominates the interview relating strengths and weakness of the employee and attempts to sell the employee on improving his performance. This approach is based on the assumption that the employee will want to and be able to overcome his weakness.
2. The Tell & Listen approach - where the supervisor relates the strengths and weaknesses of the employee and encourages the employee to come up with reasons why and solutions to his weaknesses. This approach is based on the assumption that the employee will change if his feeling of defensiveness and resistance are removed. It also requires the use of the non-directive interview technique which is quite difficult to become proficient in.

3. The Problem-Solving approach - where the discussion centers around job problems and their solutions. The strengths, weaknesses and avenues of improvements for the employee become quite obvious when the job problems are discussed. This approach assumes that growth can occur without tackling faults and that a mutual discussion of job problems leads to improved performance.

The group participating in the discussions that led to the development of the report were very much in favor of the problem-solving approach for maximum effectiveness of the performance review. They indicated examples that proved that where employees have a genuine voice in setting goals, productivity is improved.

In any performance appraisal interview, the supervisor's attitude must be an extension of his on-the-job, day-to-day relationships with the subordinate. The assumption of any different role will greatly reduce the effectiveness of the performance appraisal and review.

The group concluded that in developing and initiating a performance appraisal program, the technique, the forms and the procedure are not nearly as important as getting understanding of the objectives of your performance appraisal program and initiating a review process that will result in challenging work experiences with measurable goals and which will result in the growth and peak performance of your employees.

James M. Kiley

DEVELOPING ANNUAL WORK PROGRAMS AND BUDGETS

(Summary of discussions of Developing Annual Work Programs and Budgets held in the Staff Assistants Section of the Management Consultation, Kansas City, May 19, 1960) Discussion Leader: Eric Nicol, Rogers, Slade & Hill

Discussion was opened by presentation of a report by Jim Golden on the differences and values of Work Programs and Budgets now in use. The report covered five rural electric systems ranging in size from 4300 consumers served to 7500 consumers. The five companies are located in five different states and each submitted copies of their work program and budget for review and comparison.

After analysis and review of the five programs, nine areas were considered and selected by which to compare them:

Area Number 1 - is the budget and work program contained in one document. This does not consider whether or not they are integrated.

Area Number 2 - are the activities in the work program detailed and priced in dollars.

Area Number 3 - how was the annual work program developed.

Area Number 4 - what is the physical size of the program and budget.

Area Number 5 - does the work program establish specific goals.

Area Number 6 - does the work program establish specific dates and deadlines for accomplishing goals.

Area Number 7 - does the work program outline and detail specific activities to accomplish goals.

Area Number 8 - does work program consider manpower requirements to achieve goals.

Area Number 9 - does work program consider and detail methods for employee growth and development.

Mr. Golden then reported that it was evident that the five companies reviewed have had considerable experience in preparation and use of annual budgets and work programs. He further reported that there did exist, however, some major differences. The differences did not seem to be in objectives, but rather in methods and approaches used.

There were three distinct and recognizable approaches used by the five companies:

1. Budget and work program integrated as one with budgetary considerations dominant.
2. Budget and work programs separate, although, they may be bound in the same document.
3. A combination of the above two, where in some areas, the work program is completely budgeted and in others only described activities and goals.

There seemed to be two major differences in work programs only:

1. This approach only outlined and listed the things to be done.
2. This approach establishes specific goals, activities that will be performed to accomplish the goals, when the activities will be accomplished and who will do it.

Mr. Golden summarized his report by the following statement. "One of the most crucial steps in planning is implementation which means decision making. Without decisions, planning is a waste of time. Detailed plans put into writing become commitments and can then be used as a basis for re-planning, correcting for next year's plans and progress reports comparing accomplishments vs plans.

The preparation of this type work program is a year-round task and not something that can be done each December. The role of the staff assistant is to see that operating people plan and then to pull the parts together into an

over-all company plan. There is a real need for parallel planning, i.e., load growth with construction requirements and the staff assistant can make an important contribution in coordinating this phase of work programs.

Research is needed into ways to measure the effectiveness or value of annual work programs and the use of reporting schedules related to work programs."

Mr. Nicol then led a group discussion exploring all areas of Mr. Golden's report. It was brought out in the discussion that out of the twelve companies represented at this meeting, five had developed annual work programs of the scope and type covered in this report.

As a result of this discussion, the group developed and outlined the steps in building annual work programs, some obstacles to developing work programs, objectives and a summary of the day's discussion.

STEPS IN BUILDING ANNUAL WORK PROGRAMS

1. Define objectives of work program. Why do we need it?
2. Hold a "How to" session with staff involved:
 - A. Principles of planning.
 - B. Guides, media, methods, etc.
 - C. Staff Assistant develop data, necessary materials, etc.
3. Staff Assistant must see that manager and staff recognize the need for annual work programs and related budgets.
 - A. Develop data necessary for this.
 - B. Develop data and guides for work planning.
 - C. Become skilled in principles of work planning sufficient to guide and train others.
4. Each department manager prepare department work program.
5. Staff Assistant edits.

6. Each work program reviewed in staff meeting.
7. Review with long-range plans.
8. Combine into over-all work program.

OBSTACLES TO DEVELOPING WORK PROGRAMS

1. Lack of knowledge.
2. Limited concept of value and use.
3. Resistance to change.

OBJECTIVES

- A. To determine productivity.
- B. As steps toward over-all objectives.
- C. As a basis for annual budgets.
- D. To establish more intelligent planning.
- E. To establish specific goals and standards of performance.

SUMMARY

1. Work programs and budgets can be separate but should be related.
2. Work programs have a function separate from budgets.
3. Primary value of work programs is in change and growth of people.
4. Work programs can be specific and can be measured against long-range plans.
5. Work programs establish habit patterns for planning that will increase operating skills.
6. We need to revise our concept to recognize the use and value of work programs and budgets in light of their effect on people.

Jim Kiley gave an interesting report on what their company had done to change their accounting procedures to conform to work programs. Work programs can and do assign responsibility to individuals and some method of responsibility accounting needs to be developed to report on the various phases of the work program.

James A. Golden

ANNUAL WORK PROGRAMS

(Summary of discussions of Annual Work Programs held in the Manager's Section of the Management Consultation, Kansas City, May 19-21, 1960)
Discussion Leader - Eric Nicol, Rogers, Slade & Hill

Reports presented to the Managers' Group at the Consultation indicated that the use of annual work programs had changed the thinking about their primary use. Originally, we thought of annual work programs as providing the data for preparation of budgets. We still do, but we have found other and more important uses. Cooperatives that have used work programs as a tool for better management separate and apart from, as well as for, budgetary management have found that they can be used in various ways that contribute to improvement of performance.

One member of the group, from experience, has found that work programs are applicable and valuable on any level where there is delegation of authority for a unit of operations. In other words, they give meaning to the delegations to an area foreman, provide a basis for control of his operations.

Another member of the group who limits work programs to strategic areas found that participation in their development provided an educational experience and added to their interest and performance. Written reports from other cooperatives indicated that, in differing degrees, management development and operating improvements grew out of annual work programs regardless of whether or not they were developed primarily as data for budgets.

Perhaps the significant conclusion reached during the Consultation was that we have found a new technique for:

1. Creating planning habit patterns.

2. Stimulating interest and desire in study and research at different management levels.
3. Establishing media for operating controls and measurement of performance.
4. Growth and development of supervisors, and
5. Improving performance.

GOALS AND STANDARDS

Another point that developed was the significance of goals and the clear possibility of their establishment on a realistic basis. Experience with work program goals will eventually make clear-cut standards possible for judgment regarding performance.

RELATION TO BUDGETS

Annual work programs are still essential to sound budget preparation. The fact that they are developed from point of view of units of organization and operating responsibilities instead of normal accounting classifications does not inhibit the budget making process. In fact, the changes in budgets and accounting that are necessary to budget and accounting classifications conform to responsibility classifications of work programs has been found to add to the values and use of budgets, both as forecasts and measurement of results.

While the change in budgets was only briefly discussed, it was evident that major developments will ensue from intensive and systematic follow through from annual work programs to cost analysis and financial controls.

There are still some cooperatives where a thorough and intensive job is done to develop work programs for budgets, with work programs as operating plans and controls being incidental. In most of these situations,

there has not been a deliberate attempt to change normal accounting classification of accounts except, perhaps, to make them more detailed. The more detailed breakdown provides some semblance of a work program, but not the results that comes from the deliberate attempt to separate controllable and non-controllable items and changing the accounting systems accordingly.

As reported from one cooperative's experience to date, the process from beginning to end seems to work out as follows:

1. Annual work programs are developed from the bottom up, starting from firstline supervision where there is delegated authority for a unit of operation and personnel. The lower the level, the more detailed the work program. (There was animated discussion among the managers of whether the degree of authority given to first line supervision in this cooperatives report can be safely granted. There were still some skeptics in the end, but most of the manager group agreed that such delegation was a worthy objective.)
2. Area programs are consolidated into department work programs with an overall work program of strategic operations sufficient for plans and controls for the manager.
3. The office manager is responsible for developing, with the co-operation of the assistant to the manager and department heads, departmental and overall budgets that reflect the forecast of costs of work program activities. In general, the work program items become a breakdown of designated controllable items such as payroll, transportation, materials and supplies and other expense.
4. The interest developed among foremen and department managers in the preparation and administration of work programs causes them to be interested in results. They become cost and control conscious and begin requesting unit cost information from the office. The office must be geared for this, or departmental budgets will not work, and supervisors will become discouraged about the value of work programs. Because first line supervisory work programs are more detailed, the demand for cost information becomes detailed, and in larger systems, puts a terrific load on the office.
5. The management group next has the task of determining to what extent it can afford the time and effort to provide the cost and statistical data needed. In one case, despite deletions and combining of items, there were still hundreds of items on the list. The viewpoint that finally prevailed was that it is more important, and better

economically, to maintain the enthusiasm and desire of supervisors to manage their operations and maintain adequate controls, than it was to save a few dollars on a system of controls. The opinion was expressed, however, that with mechanical equipment, the maintenance of detailed information was valuable and necessary to achieve the objectives.

6. The final step in the accumulation of control information is the determination of method. In two cases, it was decided that machine installation was necessary and by putting all possible office recording on the machine, it is believed that the results from the operation to be economically feasible and may eventually prove to be a saving.

This more detailed report of the process and results is primarily about one system. It happened to provide the basis of most of the discussion in the manager group. This should not be an indication that other cooperatives are not getting satisfactory results. These results were discussed more specifically in the staff assistant group to advantage.

A point was made and well taken that we should not set such high standards based on experiences of larger and better situated cooperatives so that others are discouraged from doing anything. Cooperatives represented in the group who have work programs and, in most cases used them for development of budgets, reported valuable improvements in board reporting, education of supervisory personnel and performance.

One person pointed out that one of the needs for the proper use of work programs and responsibility-type budgets and accounting is to find a simplified yet effective method for using cost information and departmental budgets based on controllable items.

Discussion in staff assistant session covered the same subject matter and the same points were emphasized, except that more time was spent on the staff assistant's part in annual work programs and budget development.

The discussion was based on an excellent report by Jim Golden outlining the experiences of five cooperatives, the differences in experiences and results. A summary of this report is covered in this report.

Eric Nicol