

## PERSONNEL MANAGEMENT IN INDUSTRY

7 January 1964

## CONTENTS

	<u>Page</u>
INTRODUCTION--Vice Admiral Rufus E. Rose, USN, Commandant, ICAF . . . . .	1
SPEAKER--Mr. Frederick R. Kappel, Chairman of the Board of the American Telephone and Tele- graph Company . . . . .	1

## NOTICE

This is a transcript of material presented to the resident students at the Industrial College of the Armed Forces. As such it represents the views of the author and not necessarily those of the Industrial College or the Department of Defense. Members of the College may quote it only in student reports or publications for use within the College. Other persons may not quote or extract for publication, reproduce, or otherwise copy this material without specific permission from the author and from the Commandant, ICAF, in each case.

Publication No. L64-90

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D.C.

Mr. Frederick R. Kappel, Chairman of the Board of the American Telephone and Telegraph Company, was born in Albert Lea, Minnesota, on 14 January 1902. He received a B. S. degree in engineering at the University of Minnesota in 1924. In the same year he began work with the Northwestern Bell Telephone Company in Minnesota, where his first job was to dig pole holes. Various assignments followed in engineering and operations until, at the age of 40, he became vice president in charge of operations. He joined the American Telephone and Telegraph Company in 1949, where he was vice president in charge of the Long Lines Department and later in charge of operations and engineering. In 1954 he was elected president of the Western Electric Company, the manufacturing and supply unit of the Bell System. He became president of American Telephone and Telegraph Company two years later, and in 1961 was elected to his present position. Mr. Kappel is a director of several companies and also takes an active part in many other organizations, including the Business Council (of which he is currently chairman), Tax Foundation, Academy of Political Science, Salvation Army, and the Presbyterian Hospital in the City of New York. He has received honorary degrees from several universities, and is the holder of the Outstanding Achievement Award from his alma mater. He is the author of "Vitality In A Business Enterprise," published in 1960. This is his first lecture at the College.

## PERSONNEL MANAGEMENT IN INDUSTRY

7 January 1964

ADMIRAL ROSE: Obviously, if one is the chairman of the corporation which in the world has the biggest capital investment and the most employees, he will have a good deal to do with people. In our series of talks here this month I think we have been especially fortunate in the people we have had to talk to us on the various parts of management and what it means.

Today we have Mr. Frederick R. Kappel who is Chairman of the Board, as you all know, of American Telephone & Telegraph Company. He is going to talk to us on the subject of "Personnel Management in Industry."

One reason that we have selected the various people who are going to talk to you this month on the various parts, is because of a survey that was made, and which I am sure some of you have seen, by a panel which was written up in "Dun's Review," and singled out different corporations for different special praise. AT&T was singled out because of the vitality of management and vitality of people. We are going to hear about that from Mr. Kappel. Mr. Kappel.

MR. KAPPEL: Thank you, Admiral Rose. Gentlemen: I am very glad to be here for a good many reasons. I am sort of glad that the subject matter I have to talk about is personnel management, despite the fact that you had one of my fellow alumni and Minnesota experts yesterday, on the program--Conrad Cooper--talking about it. I am sure he could not talk about what he did without getting into this subject. But I would like to say that I could not follow a more able good friend than he.

Today I am going to presume--and I am sure you will agree with me--that there is much common ground between your work and the work of a large business insofar as people are concerned. I hope that not only what I say here in the beginning, but what we get into afterward will provoke enough discussion so that my guess will come true. My guess is that I will learn a good deal while we learn together on this subject today.

Necessarily, I have a lot of interest in this subject. I could not do otherwise and run a business. In fact, if you were to drop this rather cold phrase personnel management and speak instead about selecting and developing people, and then putting jobs and people together so that the business will thrive and at the same time the people in the business will grow both in ability and in their satisfaction with what they are doing, then I believe you will understand my saying that this is a matter of never-ending and truly absorbing interest insofar as anyone is concerned who runs a business or an organization.

Most of all, it is absolutely vital in its importance to the success of a business or an organization. Now, I have never happened to have the word "personnel" in any title that I have had during the nearly 40 years that I have been in the telephone business. But, there has not been a single one of those 40 years that has not proven to me over and over again that the very heart of the business is in how people are treated; how they grow up to their responsibilities; and how they are rewarded for good performance, or disciplined for the contrary; and how they think, finally, toward the enterprise they are working in and pending their lives in.

So, I would like to talk this morning out of the experience within the business that I am in, and that, of course, is the Bell System. Just to get started, a few words about the nature of this job might be helpful to paint the scope in which our people get involved. One distinguishing characteristic, I think, is that our responsibility goes all the way from research to the delivery of the daily service at any given number of telephones. And beginning with the research that produces the new knowledge it runs on through, then, the technical development, engineering, manufacture; the construction, the installation, the operation; and then finally the maintenance of the property.

In all of this we rely very largely--almost entirely, in fact--on our own people. Now, I do not mean that that says we invent everything or do everything ourselves, nor do we build buildings or manufacture the automobiles or the furniture we use, or produce many other things. Wherever they can be made as well or better by someone else, that is where we go to get them. So we have, then, some 40-odd thousand supplying contractors. They are manufacturing parts, goods, and supplies for the Bell System.

Nevertheless, a great deal of what we work with in providing this service originates within our own family of companies and with our own people. So we are about as totally responsible for the service that we render as almost any institution that you could name. This means, then, that any issue about anything we do, whether it is a complaint or compliment, can be traced back to our own people perhaps more than in almost any other business. Somebody in our own shop is at the root of it; somebody in research and development, manufacture, supply, in the staff or in operations somewhere.

I would like to call your attention to the fact that I said "somebody," and not "something." Because, despite this large investment that we have in physical facilities--around \$27 billion at the moment--we do not think of our business as employing things to get this job done; we employ only people. Everything we do depends upon the judgment, the objectivity, and the skill of some person or group of persons.

I might also remark that we are a very high labor factor business. Despite the mechanization, and you will hear figures that we are 99.5 percent dial, et cetera, we still put a higher share of each expense dollar into payroll than almost any other business does today. About 57 cents out of every expense dollar is payroll. We are still, as we have been in the past, a highly personal service type of business. There are about 10 billion contacts a year between our employees and our customers either in person or over the telephone, and many, many of them on the premises of the customer.

The judgments our customers make are strongly influenced by how they observe our people at work; whether they are working; whether they are friendly; whether they are efficient; whether they are clean; whether they are conversational or clammed-up; whether they have a pleasing personality; everything that goes offcolor we hear about from some source or other very promptly. I am saying these things because all of these things emphasize the importance of our personnel management job. We are a business of people. The people are our most important resource. As I see it, every boss of people has to be his own personnel man. I do not think of personnel management as being the responsibility of a department or staff, or of a group of experts. It is every boss' job to be responsible for the people who are in his unit.

Personnel management, then is not something you turn over to a personnel department staff. These staffs have important work to

do, and I will say something about that later. But essentially, the handling of people is every boss' job. The basic principle it seems to me is always to think of the man or the woman in relationship to the work and vice versa. In my judgment you should not ever separate the two. Never think of a man except in relation to his work and his value to the enterprise. Never think of the work without respecting the man who does it as a unique human being.

This is the heart of personnel management. It certainly is an inexact science and we are never really perfect at it. In the short run sometimes the work is going to suffer a bit when a man is sick, upset, has a misunderstanding, or whatnot, and does not know what to do. But if he is a good man, if he is an effective man, you know it. You have something invested in him, and if the work suffers in favor of the man under those circumstances, you still want to invest something in him and get him back on the track.

Sometimes, on the other hand, the work becomes so urgent that the man may suffer. He may have to forego some things that he needs to do for himself; his personal life may be temporarily neglected or some personal need put off a little bit.

But in the longrun either of these circumstance should be temporary. In the longrun the work must be done well and the man must fare well as a human being. These two circumstances, where the work suffers by reason of troubles the man is having, or where the man has to forego some things on behalf of the work, are going to happen all the time. But in the long pull the work should be done well and the man, as I said, must fare well.

In my judgment, this is the ultimate test of personnel management. The two must be in balance. Neither part can be served for very long at the expense of the other.

I am going to thumbnail very quickly several areas of personnel management as we see them in the Bell System. This may be a little dry for a couple of minutes but bear with me because I only want to clear the way for some main points. First is the area of wages and working conditions; pensions and benefits; health and safety; et cetera; the factors that establish the general environment in which people work. Law and bargaining play a large part here, but good management can contribute a great deal also.

Our benefit and pension plan, for example, was introduced about 50 years ago, in 1913 to be exact. It is a constant job of studying and revising, to insure it will continue to serve this personnel management purpose well. Likewise, the only way to achieve first-rate health and safety performance is by working at it all the time, not just by conforming to law.

Then there is a second area of personnel management that deals with finding, developing, and placing people.

Finding; that means judging a person's potential. Right here I am sure is one of the most critical judgments that you have to make in this personnel field.

Next is the developing, which means, among other things, the training; discovering better ways to get the training done so that you can accomplish more for the money you spend.

Then comes placement; putting people into the right slots--into the right jobs. Here I am speaking not only of the initial placement, but of transfers, promotions, and demotions. This really tests the character of management as well as its skill. You may know what you ought to do in this area, but the question is, do you always have the guts to do it? It is easy to promote somebody; it takes real guts, knowledge, incentive, and reasoning, to get the reverse done. This is a troublesome thing.

But all these things I have been enumerating--wages, benefits, health, safety, selection, development, placement, et cetera, are all concerned with getting people into a position to do their work and then sustaining them there effectively. They are all important and they are all necessary. But they will not by themselves get you where you want to go. For that, I will stress two other things that deal with the work itself, and these are the main points that I said I was clearing the way for.

First is standards of performance. I believe that people must be clear as to what is expected of them and how they are to be judged.

Now, personnel management as such does not wholly determine what the task is; the kind of business, the environment, the place, the specific problems confronting the individual or the department, all have to do with what his job is. But personnel management is

concerned with what a man is asked to do and how you get him to do it, and how his contribution is to be appraised. I am speaking now again of personnel management whenever I mention it, which is the job the boss or management has to do, not the personnel department or the staff.

The most discouraging kind of work is where the aims are fuzzy or the judgment about the job is inexact. A man needs to know beforehand what he is supposed to do, and after the fact he needs to know how well he is being judged to have done it. This is the boss' job. Really, nothing else in personnel management counts without this. Standards of performance must be understood and communication about it must be clear. Then the communication must have a feedback. It needs a verification that what is to be done is not only understood, but understood with a spirit and a will to do it and do it well.

The second main aspect of personnel management that deals with the work is leadership and direction. An awful lot is wrapped up in those two words. Once a business knows where it is going and what people must do to get there, the leadership of management at all levels is what takes it there. You can point it someplace, but it takes leadership and management to get it there.

This is not a talk on leadership specifically, but I will say this much about it; that leadership is a job of enthusing and stirring people up so that they are moved from inside themselves for good, sound, personal, objective, logical reasons, to do things well and do them better tomorrow than they did them today. It is stating objectives or goals that are sufficiently interesting, and doing so in sufficient detail to excite people into a frame of mind that the work is worth doing. It is setting the personal example, putting enthusiasm into the organization, into the operation, and being willing to communicate both ways with whatever group of people you expect to get the job done. This means listening as well as talking.

In my judgment I would rather have a reasonably intelligent boss who is willing to exchange and talk out loud about things, than I would the smartest fellow on two wheels who had a closed mouth about everything he did. I would not consider that kind of a fellow able to do the personnel job that I am talking about.

Leadership is also rewarding merit and penalizing demerit, honestly and fairly. It is the right combination of all these things

for the situation (and the situation changes all the time) so that people will do the work that makes a business successful because they want it to be successful and because they want to do it.

So far here I have simply laid out the main dimensions of a personnel management job as I see them. First, the basic principle that personnel management is every boss' job. Second, that you always look at the man and his work together and never separate the two. Third, the various conditions and factors involved in getting people into position to work and then sustaining them there. Fourth, the necessity for clear standards of performance. Fifth, the functions of leadership.

But all of these things merely help us to see what the job is. Seeing it is the easiest part of it. The tough question is, how do you get an organization to do well at these things? All the way from the time you hire a man, until he leaves by retirement or for other reasons, is the scope of this job. Particularly, how do you get a large organization with several levels of management to do it well? This is where your interests in a large military establishment, and mine in a large business come together.

I will start with this thought; a going business like the one I am in has its way of doing things. Its policies, its goals--and some of them are long established--its programs and its aspirations are all co-joined in its traditions. In its tradition some things are timeless. I am sure you will find that in all the services. In the Bell System, for example, we have this so-called "spirit of service." You see it come to the forefront if we have a storm emergency or anything. You will find that from the operators to the management people are checking in; going to the nearest place they can work. It is a challenge. We have never had an emergency in the Bell System, including a strike, from which we didn't get some benefits in the sense of dedication to the job, by somebody.

These traditions also establish the standards of character and morals in our dealings within the business and outside. I believe our commitment to research and innovation, to efficiency and constant improvement of service, is another aspect of our tradition.

Now, all these things grow out of how people think and how they work. It is the dealings of people with each other that make the tradition. So, the first need, it seems to me, is that a person in a position like mine, who feels the responsibility for good personnel

management, must recognize and accept the obligation to keep the tradition alive and growing, and as a vital thing in the business. I must understand it intellectually, but even more important I must feel it so that it is always a part of my intuitive response to matters that affect people.

I have already emphasized that personnel management depends mainly on how managers and bosses at all levels make their many decisions affecting men and women. But the point I stress here is simply that so much of this begins at the top of the organization. If there is not a strong interest and a strong influence at the top, and if the top thinking is not right, then it is very, very hard for the rest of the operation to be right. For instance, if decisions made at the top of the organization on the selection and development of people are not good, then it is mighty tough to get good decisions anywhere else. Momentum may carry the business past an occasional mistake, but in the longrun, if the top direction is not of a high order, nothing else will be of a high order either. Furthermore, this kind of work cannot be delegated in the way that other assignments are delegated. The top people personally have to make the decisions that largely shape all personnel management throughout the company.

Now, I have talked about tradition and about the prime responsibility that rests on the top management. But, of course by that I do not mean that all you have to do is fall in line with tradition, and neither do I mean that the top people can do the whole personnel job by themselves. The tradition is always being modified; in fact it is the quality of innovation that keeps these timeless things lively. And the line management at the top and at all levels needs and must have good staff help.

I would say it needs staff help of a particularly high quality for this personnel job, because it is harder to know about people, perhaps than any other aspect of the business. It is not infrequently hard enough to know about some of the people you are directly associated with, and it is much harder to know about large numbers of folks whom you never get to see.

In our business, the personnel staff organization has a broad range of responsibilities in administering wage practices, pensions, benefits, health programs, et cetera. They interpret them to the field; they solve special problems for the management as they need it; and they are all very important. But in my mind the personnel

people have another key role which could be, and I think ought to be, increasingly influential in the years ahead.

It seems to me that it should always be their job to keep looking at all of these aspects of personnel management that I have been speaking of, and to come up with sound, thoughtful, and practical ideas for doing them better. They should be looking, they should be auditing, they should be seeing, they should be investigating. They should always be working at the job of how are we doing and how we might do better, and coming up with ideas. They should be researchers and educators. They should be scanning the horizon, looking ahead, and doing the kind of thinking that a busy operating man does not have time to do.

The operating manager should never have to keep needling the personnel staff people to look at this or that problem, or to map out a good solution or to get the necessary knowledge that will lead to useful action. They should be doing these things and be able to prove that the things they come up with ought to be done. They should be so completely competent at this that they will have no problem commanding respect for their ideas. The sum of all this effort ought to make theirs the wisest and most sought after counsel on personnel matters in the business. When they have attained that, then they are a real personnel staff, in my judgment. When they recommend some action they ought to know better than anyone else just what it may be expected to accomplish. Then if the action is taken by the line management they ought to be able to tell them just what in fact it did accomplish.

I have not said anything which is not just as applicable to any other staff function. But I believe in the personnel management field this is an especially intangible job and one that takes really special talent.

I would like to recapitulate again very briefly. For a good job of personnel management the first need is for a chief executive and a top management group that want a good job and have the ability to get that kind of a job started by reason of their own intuitive understanding and good performance in decisions that affect people. The second need is for staff help that is demonstrably first-class; strong, imaginative, practical, and persuasive people who are devoted to improving performance; who know how to get special knowledge--necessary knowledge in this field--and who are able to put their recommendations across.

I have spoken about getting knowledge as one of their prime functions. This is very essential, because without it you stand still. To raise the standards of performance on anything you have to know what present performance is and what is wrong with it, and what the practical possibilities are of raising it to a higher level. In addition to that you have to know enough about the surrounding circumstances so that you can make the effort to improve with high assurance that it will pay off. The personnel area is one of the toughest in which to do this, because as I said a moment ago it is hard to know about people. But still, it is essential to know before progress can be made on any problem.

I would like to give you some illustrations in one of the general areas that I spoke about earlier; the hiring, the training, and the placement of people. Now, we have done a good deal of work in recent years examining the performance of management people from various angles. We have done a good deal of work in this field.

For instance one study has shown us that among several thousand managers in the business a relatively high proportion of the men who have been able to move up in responsibility are the men who ranked well scholastically while they were in college.

Another year-by-year study of several hundred young men in management has given us a slow-motion picture, you might say, of each man in this group; his personal assets, his liabilities, changes in his point of view as his experience extended itself, the step-by-step influence of experience on his character, and on his capabilities.

Initially these men were carefully examined, tested, interviewed, and rated; a thorough assessment was conducted by experience management people who had nothing to do with these people in the business. They were brought in from other places--and some psychologists also got involved in this. Every year since that time, each of these men has been talked to in detail by this group, about his experience, his progress, his successes, his failures, his hopes, and his goals. We learned a lot about how people react to their bosses, how they like the job, and we learned a lot about the business.

Specifically, though, what we get out of this sort of thing might be the first question that enters your mind. The immediate answer is that it has stimulated a great deal of change, and I believe, real improvement in the way we recruit college men and start them off

in the business. Just for example, we concluded that scholarship is a good indicator of business success and he had better look for the men we want mainly in the upper half of the graduating class. We also found that to a great many men the initial training procedures that we were putting them through were terribly tedious and boring from their point of view.

We used to give a young college graduate a year or two of training in various departments with various assignments to get him oriented, sort of a guided tour around the business before we put him to work. Now he gets one week of concentrated orientation and then we give him a real job.

Right away this fellow is in a spot where he has to learn and where we will learn more about him a lot faster than we did under the other circumstance. The boss can give him direction, but the boss also gives him responsibility. This responsibility is such that this fellow has a chance at good achievement or a chance to fail. We do not want any of these fellows to fail; we want everybody to succeed. But the ability to take on responsibility successfully can only be learned if there is a chance for failure, and if you do not have all your marbles you will fail.

So, this kind of training by working, as it turns out, fits right in with our efforts to do a more effective job of recruiting high quality college men. Our experience with the good men we get, the able ones who really like to work, is that they very quickly have demonstrated two wants.

First, they want to do work immediately that will take all the talents they have; they want to grow and to get something accomplished. Second, they want bosses who will let them show what it is they can do. They are not interested in wet-nursing, paternalistic, let-me-show-you kind of bosses. We have learned those two things positively. When these wants are satisfied we have found out that the word gets around quite well.

There is quite a grapevine between corporations and colleges in this field I assure you. When the word spreads that you are interested only in the quality men and the kind of opportunities they want, then more quality tends to look in your direction. I will give you a few figures on that. Nowadays we get 1 college graduate onto our payroll out of about every 12 or 14 who are interviewed. Eighty-five percent of them were in the top half of the class scholastically.

This contrasts with about 1 in 22, and about 60 percent of the men coming from the top half, prior to these changes we made.

Now, here is another example of getting knowledge and using it to produce progress. I spoke of assessment procedures used in rating a test group of several hundred management men. The next step was to use a similar method to find out more about employees in the ranks who were being considered for promotion to the first level of management. Ordinarily, the first-level man, the foreman in our business, would recommend men from the ranks for a promotion, and that was our starting point.

I am not going to describe the appraisal procedure. But among other things, the candidates have to work on several kinds of tough, real-life problems under observation. These are the folks who the foreman says could be promoted. The point here is that the results we got out of these episodes were very eye opening. A high proportion of these men who were being considered and recommended simply did not qualify for supervisory jobs. Today we have some 40 assessment centers all over the country doing what I have just described to help these local managers make good decisions in promoting men and women from the ranks and avoiding, possibly, unfortunate mistakes in evaluating people. You do nothing worse to an individual than to promote him into something he is not capable of doing, in my judgment.

Incidentally, we now have considerable data on the men in the original test group. The evidence is that the judgments made about them when they were assessed back in 1956 and 1957, which was the first time we did this, were good and are holding up very well. Then 5 years ago a group of non-college men who were then in the first level of management, were assessed in the same manner. One of the judgments made by the assessment staff at the time was whether or not these men would be able to reach the 3d level of management in 10 years. These individual predictions were kept confidential and were not made known. Ninety percent of the men on whom the judgment was "no" in this group are still right where they were. They have not been promoted. Only about 5 percent of those on whom the answer was favorable are still at the same level; or to put it a little differently about 95 percent of them have been promoted.

So, I think you can see why, from this result, we have some confidence in these assessment centers and procedures to help

select people for promotion. But I would also like to emphasize that word "help." Because all of these procedures are only aids to judgment and they are not substitutes. They are only tools to assist us in improving our ability to make good choices. The choices themselves will always be matters for executive judgment. In particular, the ultimate selection of on-coming leadership is a vital job that top management must do itself.

Another illustration of how you make progress by first getting knowledge comes from the training area. Our total training costs at the Bell System are now estimated to be about \$200 million a year. This includes the training of new people; additional training for experienced employees and managers; college tuition grants--we have about 3,000 people constantly enrolled in colleges for refresher work--and all that sort of thing.

Even a small increase in efficiency in our business is like in yours; it means a lot of money; the multipliers are terrific. In the last few years we have been trying to develop the same systematic approach to improving our training and reducing these costs, that has proved so effective in our development of communications equipment. At Bell Laboratories we have a small group of scientists who keep constantly working at the job of developing basic knowledge in the areas of perception and learning. In the AT&T Company, on our staff we have a number of people who are working to apply the best available knowledge to training problems.

Now, I do not know just how far this may take us, but I get a lot of encouragement out of the first experience that we have been able to get an accurate measure on. This is the use of programmed instruction in training long-distance telephone operators. This is one of the really big training jobs we have in the business.

Under this new method the employee works on her own for about half the training time, using a programmed textbook that takes her along step by step. The other half of the training is done by audio tapes, control practice, reviews, and actual on-the-switchboard practice. The results of all this appear very good. For example, the average student training time has been reduced 27 percent compared with the conventional method. Instructor time has been reduced 40 percent. The cost per student is nearly 30 percent less. As far as we can find out we have a much better-taught operator when this process is completed.

Another course has been prepared in the same way to teach basic electricity to our plant craftsmen. Students here show greater proficiency than when they were taught in the conventional manner. We are also moving in with this type of training in sales work. We have found too that programed textbooks as such are just as effective as the so-called "teaching machines" that you have all heard about. This in itself is an important thing to learn.

Furthermore, when this method of instruction has been introduced it has been possible to do away with formal classes. The student enters a course when he is individually available for training; you don't have to gather them up in groups of 15 and wait for a new session to start. They leave when they have completed it. They start individually; they leave individually. They can be one or a dozen, but each is doing it on his own time and at his own speed, and this is a very important factor in getting the job done at less cost.

I have given a few examples to suggest how a systematic approach to certain personnel management problems, using professional skills to develop and apply knowledge, can move the job along and contribute to the operations of the business. But now, and in conclusion, I would like to turn away from these things and get onto a few comments of a broader nature.

Going back to what I said earlier in these remarks, I tried to express particularly the aims of setting clear standards of performance, then providing leadership and direction so that individual people can contribute the most to the work, and the work in turn can contribute the most to their individual development and growth, as well as contribute as much as possible to the business itself.

Operating in the opposite direction is the seemingly inevitable tendency toward bureaucracy that you find in every large organization. I am using this word "bureaucracy" now in the way Webster defines it, which is this: "A system that has become narrow, rigid, and formal, depends on precedent, and lacks initiative and resourcefulness." That is a pretty bad thing to say about any human organization. But we do know that this disease exists and that it is going to kill any business if it is allowed to go very far.

So, in a very real sense I think of good personnel management as a war against bureaucracy. One of the tests that I constantly make in my own mind about the effectiveness of the personnel job

is whether or not it is being done in a way that makes us more bureaucratic or less so. I know an organization cannot run without rules, edicts, and all the other things that you can apply to it, but we simply have to keep fighting, in my judgment, the tendency on the part of many, many management people to depend on precedent, to be rigid in their thinking, to follow the book themselves, and then raise hell with anybody under them who does not follow the book. I think there is nothing more dampening, and more deterring to real vital organization accomplishment, than to have someone read me a book all the time. My judgment is that if logic and good judgment do not make the book right throw the book away.

I would like to say you need almost as many people getting rid of rules as you do writing new ones. This is not just a matter of the petty redtape that slows the work down to make it more expensive and less effective; it is a lot more than that; it is the negative habit of mind that is deadly. You all know, fellows, that sometimes when you get working with somebody, the first thing they start to do is give you all the reasons on earth why you can't do this thing. Whereas the real job is first to indentify the things that ought to be done that are good for the business, good for the people, and mutually advantageous. We ought to be smart enough to find out how to get them done. Because that is what the problem is.

I spoke earlier of tradition and I set great store by tradition. But tradition has to be dynamic; it cannot be static. It has to be continuously modified and revised, other wise it becomes the first order of business for every negative-minded guy to use tradition to stop everything. In fact, it seems to me reasonable to think of all staff work as a continuous effort to revise tradition and keep pumping new life into it. Perhaps this is more true of personnel management than anything else, because you are dealing with the human and personal factors that really create tradition.

Parenthetically, I sometimes wonder how much of the general problem that business faces with respect to the employment of Negroes, for example, might be ascribed to this bureaucratic inertia. There are many aspects to this, and I am not going to get into them. But maybe one of them is that for a long time it has been easier not to move than to move. For that is the bureaucratic way of getting things done.

Another consequence of bureaucracy is that almost by definition it tends to prevent communication and stop the free give-and-take of

ideas. Sure there can be lots of pieces of paper with writing on them. But they and the talking all flow in one direction. Because the easy way, the bureaucratic way, is just to pass out the work with a few yards of advice along with it. The hard way, apparently, is to listen and discuss with the people who are going to do the work.

What I am trying to say here is that without listening, without discussion of the issues in the work and in the business, pretty soon you are going to lose the cement of understanding between the levels of the business up and down that is absolutely necessary to get a good job done. Human beings simply do not function well if all the communication is telling. How to check this tendency and get real communication in a big organization that is busy as a beehive with a lot of things to do, is one of the really tough problems in this personnel management. But it has to be done and it has to be done well. While the cost in time and dollars may be high, they have got to be spent if you are going to get the job done. So far as I am concerned this is a basic needed cost of doing business.

Now, at this stage of the game, if you have gained anything from these remarks it may be to reflect that a good personnel job is easier to talk about than it is to do. There is nothing about it that is easy to do. But what we are after, essentially, is to find, bring out, and bring up the best that is in individual people; to get work done as well as we possibly can; and to get it done in ways that bring genuine satisfaction to the individual doing it. This is a tall order. It cannot be done well unless, as I said at the beginning, every line manager at every level, from mine right on down to the first level understands that he has a continuous, personal, personnel management assignment, and works diligently at it and discharges it well. This is one of the things he ought to be judged on as to whether he is going to get along in the business.

But I hope I have also encouraged you to think that real high-quality staff work can accomplish a lot and is very essential. We have to have some people constantly exploring and searching for new ways to get the job done, to lift the level of performance. We have to keep moving the standards up, and producing persuasive leadership that will get them accepted and acted on.

Thank you.

(4 March 1964--7,600)H/pd:dc