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people, events, techniques

Job Enrichment Programs Often Thinly Disguised Job Productivity Improvement Plans, Says Labor Leader at Conference Board Meeting

Job satisfaction is a nonproblem for collective bargaining, William S. Winpisinger, general vice president of the International Association of Machinists and Aerospace Workers told a Conference Board panel session March 20.

The panel was discussing the "Search for Job Satisfaction," as part of a conference on "Labor Relations Issues of the Seventies." The chairman of the panel was Mitchell Sviridoff, vice president, Division of National Affairs, The Ford Foundation. With Mr. Winpisinger on the panel were Robert C. Goelz, corporate manager of organization planning, Kaiser Aluminum & Chemical Corporation, and William A. Spartin, director of employee relations, *The Washington Post*.

Job enrichment attempts are often just disguised productivity improvement plans, Mr. Winpisinger observed.

No "guinea pigs"

"We are not going to let our members be used as guinea pigs for speed-up schemes," the labor leader said.

He pointed out that many studies have been made that show there is more job dissatisfaction among those earning above \$10,000 than among those making less. Alienation is higher in middle management than in any blue collar field, and Mr. Winpisinger attributes this to the over-education of the managers. "Everyone cannot be the boss," he commented.

"I don't know engineers who engineer themselves out of a job, or salesmen who sell themselves out of a job, but I know a hell of a lot of workers who when they increase their productivity they increase themselves out of a job. . . . Job security is the most important type of job satisfaction," Mr. Winpisinger said.

Mr. Goelz said that at Kaiser, "We've gotten into the areas of 'meaningful work' or 'adult work.'" He said he preferred these terms to "job enrichment" because "job enrichment sounds like frosting on the cake. I think job enrichment is overkill. We first have to make the job adult before we can enrich it."

Kaiser has not publicized its experiments in this field because they are not completed. "We've got to

walk before we run. Someone does something in the middle of Kansas and before you know it, it's all over the *Wall St. Journal*," he commented.

The Kaiser executive mentioned three "adult work" projects Kaiser is pursuing. One is a study of the first-line foreman's job: how he affects and is affected by those above him, below him, and around him.

A second project is letting workers work on their own. It was started when a supervisor was scheduled to retire and, instead of Kaiser's replacing him, the craftsmen under him asked to be given a chance to supervise themselves. So far the project has gone well and one of the craftsmen commented, "We got rid of the bird dog."

The third Kaiser experiment is in a non-union plant where workers are swapping jobs, doing maintenance as well as production work.

Idleness can be healthy

Mr. Goetz said a bit of educating that he has had to do with production people is to make them understand that it is not a bad thing if maintenance workers are sitting idle; it just means everything is working as it should. "Production people confuse motion and progress. I compare it to a firehouse. When you pass a firehouse in your car and see firemen sitting outside, are you happy or sad that they are not out fighting a fire?"

Mr. Spartin said that *The Washington Post* has introduced different worker committees. There is a quality control committee of journeymen and a rehabilitation committee of journeymen to deal with alcohol problems.

"Too many experiments in job enrichment have been done without interest in job security," Mr. Spartin said. "We are in study groups with the ITU [International Typographical Union] to see what the impact on employees will be if we move to full-page photo reproduction. . . . The advantages of automatic equipment are dissipated as workers slow down."

He said that the *Post* is moving

toward more job rotation, time off, and a shorter work week. Someone from the audience suggested that these were really work deleting techniques rather than job enriching approaches.

The three panelists seemed to agree that job satisfaction was an issue, but that its priority was pretty low in labor negotiations.

Mr. Winpisinger said, "First let's have places to work, and then healthy places, and then get to humanizing elements of the job. . . . Labor will never provide the initiative in enrichment but we may go along with what management is doing. You've got to have workers guaranteed that they are not going to go hungry."

He posed the example of an assembly line worker who was assigned some of the duties that used to belong to another job category. The worker was angry because now that job category did not exist for him to be promoted into. "Adding to a worker's job when it deprives him of an avenue of promotion is not going to be in demand," the labor leader said.

In many job enrichment programs, it is the middle managers' jobs that are done away with and, Mr. Winpisinger said with a smile, they should organize.

Moderator Sviridoff concluded, "I am far from convinced that anyone can say job satisfaction should be on the top of the bargaining agenda, but it should be on top of management's agenda."

Labor management challenged

In a concurrent afternoon session at the same meeting, a panel group considering minority and feminine pressures in labor relations predictably found Herbert Hill, NAACP, and Donald Slaiman, director—department of civil rights, AFL-CIO, on opposite sides concerning the preeminence of the Civil Rights Act over labor-management agreements. According to Mr. Hill, the Civil Rights Act, guaranteeing minority groups equal access to all jobs, is the "law of the land" and should take precedence over any

labor-management agreements that freeze racial groups into stereotyped patterns as far as jobs and promotions are concerned.

Mr. Slaiman pointed out that joint minority-group-government action against an existing labor agreement, was a dangerous foot in the door. He referred to Mr. Hill's lauding a black group that had set up a dissident group within a predominantly white union and had then sued to overturn the union's election on the grounds that it did not adequately represent all the workers.

Sex discrimination prevalent

Mr. Slaiman's general thesis was that any union, even one that showed prejudice in its selection and seniority procedures, was better than none at all and that the way to improve minority status in the labor picture was within the framework of the existing unions rather than through setting up rival organizations.

Racial discrimination is a serious problem, Elizabeth Duncan Koontz, director, Women's Bureau, U. S. Department of Labor, agreed, but "sex discrimination is far more prevalent than race discrimination."

Unions have overlooked the fact that they have "negotiated women out of fair treatment" because male union leaders have many of the prejudices and share much of the stereotyped thinking about women's abilities held by their counterparts in management, Ms. Koontz said.

There is also trouble because of an existing male confusion over the distinction between women's lib and women's rights. They have nothing to do with each other, but the patronizing attitude taken toward many of the attitudes and positions of women's liberationists has carried over into the response to the demand for women's labor rights, Ms. Koontz explained. "The AT&T case exposed institutionalized sex prejudice," she declared.

AT&T was recently successfully sued by the Government, which charged that it had not complied with civil rights legislation affect-

ing female and minority employees, and that many such employees never even applied for higher level jobs because they knew that company policy barred their promotion into them. AT&T paid \$15-million, the largest settlement of its kind ever made, to 13,000 female and 2,000 male employees who felt they had been discriminated against, and agreed to pay \$23 million annually in raises. (See M/A, March-April, 1973, p. 9.)

Ms. Koontz predicted that the entry of males into previously all-female fields—as nurses, telephone operators, or airline stewards—would have the effect of increasing women's wages in these fields.

The vice president—industrial relations, Lockheed Aircraft Corporation, Eugene Mattison, conceding that the AT&T decision posed a problem of past discriminatory patterns for many companies, agreed that traditional promotion practices would have to be changed. The problem lay, he said, in how these changes would be brought about. Training at every level to overcome

the effects of past discrimination was one possibility, he said. Granting plantwide seniority rather than departmental seniority was another.

Management must set its future goals in labor and employment exactly as it sets future goals in the budgeting process, Mr. Mattison said. For women, for instance, management must ask itself: are they qualified for the jobs that must be opened to them? If they're not qualified, are they qualifiable?

Extended training suggested

Tolerance limits may have to be established for some jobs for which women and minority group members haven't been qualified by past training, he declared, allowing them wider leeway in making errors for a certain period of time while they grow accustomed to totally new responsibilities.

Attitudes of supervisors and colleagues are a vital part of the upgrading practice, he pointed out. These must be positive—and must

be reinforced by management if necessary.

"Acceptance by the peer group is absolutely essential," he declared.

The last speaker of this session, Roosevelt Watts, vice president, Transport Workers Union, described an upgrading process that had been employed successfully in the New York City subway system to move minority workers from transportation jobs to the more highly paid maintenance jobs. It waived civil service educational qualifications and work experience tests in favor of "walk-in" tests in which people who could not meet the civil service qualifications were given practical tests of their abilities for such jobs as machinists or sheet metal workers. Those who could pass such simple tests were employed for one year as "maintenance helpers" after which they could take demonstration tests for jobs as maintenance workers.

"If the private sector could follow this pattern," Mr. Watts commented, "a lot of job discrimination could be eliminated."

Multinational Companies Create More Jobs Domestically Than They Eliminate, Says Honeywell Board Chairman

The role in world trade of multinationals, companies with substantial investments, employees, and sales outside the United States, was defended by Honeywell, Inc., Chairman James H. Binger before the Board of Governors of the Electronic Industries Association, meeting in Phoenix.

"I am convinced . . . that multinational companies do not export jobs, but create jobs in the United States faster than other U.S. companies. I am convinced that U.S. companies invest abroad to gain participation in markets in other countries, not to take advantage of lower wages or so-called tax loopholes. I am convinced . . . that imports from overseas subsidiaries of U.S. companies have not been a major factor in U.S. unemployment," Mr. Binger said.

The Honeywell executive cited some figures to back up his beliefs. The Emergency Committee on American Trade studied 74 U.S. multinational companies between 1960 and 1970. The committee found that while these companies were increasing their overseas operations, they also provided 900,000 new jobs in the United States. They also nearly doubled their sales from work performed in this country, from \$58 billion to \$113 billion.

The same survey showed that these 74 multinationals nearly tripled their exports from the United States within the ten-year period. They also increased their net surplus of exports over imports from \$3.2 billion to \$6.6 billion, Mr. Binger reported.

"These figures, and others of the survey, lead to one major conclu-

sion: That the international investment activities of these representative multinational companies played an important role in their rapid export growth and consequently made a major positive contribution to their domestic—and I emphasize the word domestic—sales, investment, and employment growth," Honeywell's chairman said.

Imports create U.S. jobs

Mr. Binger cited another recent survey, one done by the National Association of Manufacturers, that came to the conclusion that "if the United States were to repeal the tax credit for foreign taxes paid and tax all foreign subsidiary income before it is paid out in dividends to the parent company, U.S. firms with foreign operations would be

forced to pay an average effective tax on their foreign earnings of over 70 per cent."

He further pointed out that Labor Department figures find 1,000,000 U.S. jobs are dependent on imports.

Mr. Binger recommended that the Government create freer trade conditions for farm products, reduce and eventually eliminate industrial trade tariffs, and seek to harmonize present non-tariff trade barriers and preferences.

Multinationals Aid Development of Host, Whatever Their Aim

While multinational companies are mercenary in their outlook, they undeniably often quicken the industrial development of the host country, Dan Bawly, an Israeli CPA, believes.

Writing in a recent issue of *LKHH Accountant*, the quarterly publication of Laventhol Krekstein Horwath & Horwath, CPAs, Mr. Bawly writes, "In contrast to the average businessman operating in his own country, out to create the highest possible profits but aware of and often identified with his government's ideology, the multinational corporation should be regarded as a mercenary, generally unimpressed by the national aspirations of its host.

"It is out to get the highest return for itself and if the host country receives any benefit the multinational will be delighted to enjoy the ensuing publicity and to get the most mileage out of this bonus."

Image gives way

Mr. Bawly says that soon after a host country has attracted a world-renowned concern, the company's glamorous image gives way to "what can at times be considered a far from efficient organization."

Sometimes hindsight can be

faulty when one starts comparing the costs of the actual business venture with the costs had the host country gone it alone, Mr. Bawly cautions.

"In fact, those suddenly embittered local businessmen are usually phantoms who were not there when the government set off on its development program; that was why it decided to introduce foreign investment encouragement laws," the Israeli CPA writes.

Attractive incentive offers, often including tax exemptions and cash grants, have been made by countries ranging from the United States to Israel and from the developing republics of South America to the emerging African states, Mr. Bawly observes.

"It is too early to try to summarize the long-term success of the quest of the multinational for a tax haven or the importance of tax incentives for the investment policies of a global company. It is clear that the dialogue between the multinationals and the sovereign states is already on, that both sides find it a challenge and are interested, in fact eager, to widen the areas of communication," the CPA says.

Mr. Bawly is a partner in the firm of Horwath, Bawly, Millner & Co., the Tel Aviv office of Laventhol Krekstein Horwath & Horwath.

Company Communications Need Regular Audits, Consultant Says

A communications audit, a means of measuring what an organization is doing to communicate successfully with its employees, should be performed regularly, the consulting firm of Towers, Perrin, Forster & Crosby, Philadelphia, recommends.

"A periodic checkup is good for people, finances, and communications programs," the firm says in the winter 1973 issue of its newsletter, *Communications & Management*.

"The best time to conduct an

audit is when there is no impending crisis," the consultants say. "Employees are often more open in their responses at such times."

However, the consultants believe there are unusual occasions when a communications audit can be especially helpful. These include: merger and acquisition situations; the implementation of new personnel practices; organizational changes; peak periods of labor unrest; and times of economic crisis such as layoffs or cost reduction programs.

Mergers and acquisitions

The consultants say that in merger and acquisition situations, "A careful evaluation of the ongoing communications practices of the two firms involved may show that different techniques will be required in each to allay employee fears and suspicions and to develop a positive, cooperative spirit."

The first step in a communications audit is a brief planning meeting setting the responsibilities both for the consultant and the client and the objectives of the audit. This is followed by in-depth interviews of a cross-section of employees.

"Employee knowledge of the organization, its policies, and its goals may be tested in these interviews or questionnaires. Employee understanding of and reactions to specific programs are measured. Sources of information—real and imagined—are listed. The grapevine is tracked. The rumor mill may even churn into motion as the audit is being conducted," TPF/C explains.

During the course of the audit, the media and the message are examined. Then an analysis of the gathered data is made by the consultants.

"Employee and management responses are compared to one another and matched against stated communications objectives. Employee understanding of the organization's goals and policies is measured against the quality of the message, timing, use of media, and

cost. The results are evaluated and set forth in a report to management," the firm says.

The consultant's report includes an evaluation of past communications efforts and suggestions for future improvements.

TPF/C believes a communications audit can: give a total evaluation of existing communications programs; evaluate a new communications policy or practice; help to restructure or develop the communications function within an organization; or assist in developing communications guidelines or budgets.

Although TPF/C believes the consultant's services are invaluable in a communications audit, it cautions, "It is this after-phase, when management first considers carefully and then implements audit findings, that will crucially affect employee morale and attitude."

Insurance Firms Lead Clerical Productivity Improvement: Consultant

The insurance industry has been giving the problem of white collar productivity a good deal of thought and has been using some programs that have gone beyond traditional time and motion work measurements and scheduling techniques, observes Gene E. Jackson, a principal of Coloney, Cannon, Main & Pursell, Inc., management consultants.

Writing in the winter 1973 issue of his firm's newsletter, *Management Practice*, Mr. Jackson points out that well over two-thirds of the insurance companies have retained consultants to install productivity improvement measures.

Of course, the insurance industry only employs white collar workers, but Mr. Jackson points out that 60 per cent of the nation's work force is employed in white collar jobs and other industries have not shown comparable interest in this area of productivity improvement.

The insurance companies realized "that the size of the clerical

force, the increase in salary rates, high turnover, and difficulty in recruiting quality office personnel were threatening both profit margins and the quality of service provided to customers and agents," Mr. Jackson writes.

Crucial to the success of the industry's productivity improvement projects has been top management's firm backing, he observes. Other ingredients for success are: "1) a broad range of backgrounds and talents on productivity task forces or project teams assigned to increase productivity; 2) the strong involvement of line management; and 3) a broad charter to challenge *everything* that is done in an area under study."

Challenging functions

Mr. Jackson clarifies some of the ways in which an effective productivity team is used. First the team must challenge and eliminate unnecessary functions.

He cites the case of one medium-size life insurance company that found while a cover page summary on files was necessary with a manual file, it was not needed when the customer master file was maintained on a computer. By eliminating the summary, the company saved \$20,000 in clerical time and significantly reduced the time required to change policies.

In another insurance company, a control record of delinquent premium collections in the field was done away with after a productivity team discovered it cost \$100,000 to maintain.

The productivity team next turns to ways of improving necessary work, Mr Jackson advises.

"The project team . . . can deliver a package of, say, 20 to 50 small changes that, together with work eliminated, may well represent 10 to 15 per cent of the total clerical unit effort. The team cuts across organization lines to get useful changes made," he writes.

After the team has found opportunities for streamlining the work, it looks at individual job assignments.

Mr. Jackson says, "One common situation is the over-specialization of clerical functions. It isn't unusual to see relatively simple transactions pass through six or eight work stations. This not only takes time but also discourages a sense of interest and responsibility on the part of the individual employee."

Project teams should be composed of regular company personnel drawn from a wide range of line and staff positions, Mr. Jackson advises. Full-time workers freed from their regular duties can accomplish more than part-timers, he says.

Companies that have used project teams for administrative studies have had tangible cost savings that typically range from 15 to 25 per cent of the costs studied, the consultant observes.

"The success of productivity project teams, both within and outside the insurance industry, suggests that executives who recognize the profit leverage in their white-collar costs have a proven path available to follow," Mr. Jackson concludes.

General Job Market Improves but MBAs Face Slow Start

Though the job market may be improving for seasoned executives (see *M/A*, March-April, '73, p. 7), June MBA graduates will be facing the most difficult job market in the last decade, Lester B. Korn, president of Korn/Ferry International, told the Graduate School of Business, Columbia University, March 21.

This would seem to contradict a Carnegie Commission on Higher Education Report released early in April, which said that the job outlook for college graduates is the best in the past ten years. However, the Carnegie report did not specify MBAs as in high demand, saying that engineers, scientists associated with engineering, and health specialists would be the most successful job candidates.

MBA's with backgrounds in marketing/sales and finance will be in the greatest demand this summer, Mr. Korn said. Those in least demand will be graduates with personnel, communications, and production / manufacturing / engineering backgrounds.

Upturn foreseen in 1976

"The demand for newly graduated MBA's is strongest during an expansion cycle and I see this cycle emerging again in 1975 and 1976," Mr. Korn predicted. In recent years, the premium value corporations have placed on the MBA has declined "primarily because corporations are looking for men with the ability to take on immediate bottom-line profit responsibilities."

The executive search firm president advised the June MBA graduate "to do a better job in packaging and merchandising himself. If

he doesn't, he may find himself unemployed for several months after graduation."

Mr. Korn suggested that the MBA students evaluate their own capabilities, investigate the industries they are most interested in, and then learn as much as they can about each of the companies with which they have an interview planned.

Starting salaries for graduating MBA's range from \$12,000 to \$16,000 a year, depending on the graduate's discipline. The mean is approximately \$14,400, Mr. Korn reported.

He noted that these figures are slightly higher than in recent years, but he cautioned the MBA students about counting their future earnings prematurely. He said, "there are many men with several years' experience under their belts asking for the same salary and the going is getting more competitive."

For the Executive in Finance—

Liability for Dangerous Products Extending Through Distribution Chain, Warns RIA

Liability for an injury-causing product is no longer limited to manufacturers; it is being extended up and down the industrial distribution chain, warns the Research Institute of America, New York, in a recent report.

On October 27, 1972, the Consumer Product Safety Act was signed into law and added to the potential liabilities of many companies. RIA explains, "In brief, if you design, manufacture or sell a faulty consumer product which causes injury to a consumer, that individual can take you to Federal court and recover damages. What's more, the *penalties and relief* provided and the opening of Federal courts under the new law are in *addition* to any other existing remedies already available."

The Act also established the Consumer Product Safety Commission which is designed to protect

the public from unreasonable risks of injury associated with consumer products. If it finds a particular product involves a hazard to consumers it can: 1—research the nature of the hazard more completely; 2—inspect the manufacturing plants and call for special reports from manufacturers; 3—hold public fact-finding hearings; 4—commence a rule-making proceeding which ultimately could lead to the establishment of a mandatory product safety standard; 5—ban the product from the market; 6—find a product imminently hazardous and call for a seizure of the product; 7—find a product a "substantial" hazard and require its recall or replacement or the refund of its purchase price; 8—issue a public warning describing the hazard the product poses; 9—delegate its investigative responsibilities to state governments.

The commission may, according

to the act, require every manufacturer, private labeler, or distributor of a consumer product to maintain certain records. RIA comments, "It is probably safe to say that some of the records that may be required to be kept will include a list of your suppliers as well as your purchasers for each product line. Also, you may have to keep records of what you told your purchasers with regard to usage of the product and whether or not safety devices were demonstrated at the time of purchase."

Defensive strategy

According to RIA, a company should try to cut down on its exposure to litigation by following all or part of a three-point defensive strategy: "1—Minimize the likelihood of product liability suits by tightening up vulnerable operations; 2—Maximize the chances for a successful defense, if a suit does develop, by documenting precautions taken; 3—Maintain adequate financial protection, in the event the company loses a substantial product liability suit."

Within this broad strategy, RIA makes some specific suggestions. It points out that faulty design is not an insurable business risk and so design decisions should be double-checked. It also asserts that accurately and faithfully maintained records could be a company's "most important defensive weapon, as they provide tangible evidence of your integrity and technical competence."

Concern for product reliability and safety could be documented with checklists used by research, design, production, testing, purchasing, and service personnel to note compliance with company procedures, RIA advises.

Documentation of product improvement changes, test procedures, and reasons for accepting the final product design should be maintained. Records pertaining to the item after it leaves the factory and to each item in production should be kept. Other important records are lists of: all plans and blueprints,

patents and patent representations, raw materials, sources of components information, and all foreseeable uses of the product.

“So that all statutes of limitation may be covered, and all possibilities accounted for, a 20-year retention of records would not be out of the question,” the RIA report says. “Remember that the statute of limitations can start to run, not when a product leaves a factory, but *when a defect in it causes an injury.*”

After considering the pros and cons of self-insurance for product liability, RIA recommends a combination of self-insurance and product liability coverage from commercial insurers. “A limited self-insurance fund may be established to permit higher deductibles, and thus lower premiums,” the report says. “Or the fund might be established to cover losses normally excluded from commercial policies.”

The 35-page report is available at \$7.50 a copy upon written request to Department 111, Research Institute of America, Mount Kisco, N.Y. 10459.

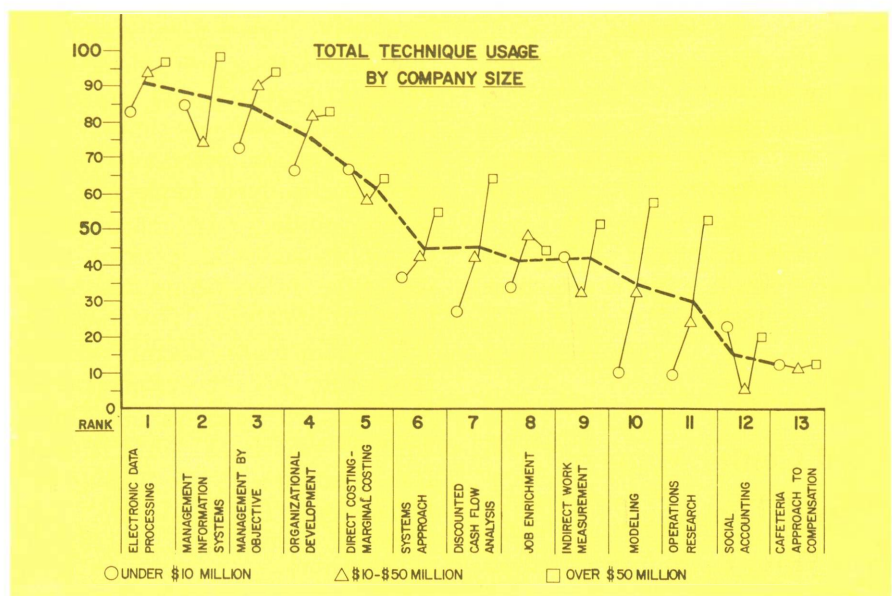
Don't Borrow Another Company's Executive Pay Plan: Pfizer Officer

The chances for successfully utilizing another company's executive compensation plan in a company that has not identified its own needs are almost non-existent, Bruce R. Ellig, director, compensation and benefits, Pfizer, Inc., told a Conference Board meeting on “Executive Compensation,” March 29.

Identify characteristics

One begins identifying corporate needs by identifying the industry one is in, Mr. Ellig said. This identification should include degree of risk, importance of technology, and stage of development.

“It seems to me that the less the



A recent survey conducted by Lawrence-Leiter and Co., Kansas City; Lifson, Wilson, Ferguson & Winick, Inc., Dallas; Rath & Strong, Boston; and Theodore Barry & Associates, Los Angeles, management consulting firms, has revealed that most company managements are dissatisfied with many of the management tools available even though they employ them. As the chart above demonstrates, of the 13 most commonly used management techniques, larger companies tended to use far more of them than smaller concerns.

risk that exists in an industry, due, for example, to heavy governmental regulation, the less the need for an incentive compensation program.

“The importance of technology indicates what portion of the organization should be in a heavy incentive compensation program. The stage of development says something about the type of compensation that is appropriate.”

The stage of development corresponds to the four stages of the business cycle: developmental, growth, maturity, and decline.

Mr. Ellig explained, “To generalize, the high-risk situation of developmental and possibly growth should be related to heavy emphasis on stock option plans. The growth and maturity situations better lend themselves to bonus plans. The decline stage probably calls for salary as the predominant element.”

An analysis of the company and its relation to its industries must also be made. Then looking within the organizational unit to the individual is in order, the Pfizer executive said.

He suggested that the ways in which component parts of the compensation package interact over the

short- and long-range should be studied. Mr. Ellig said little consideration is given to the basis of grants. For example, he pointed to the practice of giving more stock options as price declines and less as it rises. “If downside risk is considered at all,” Mr. Ellig commented, “it seems that this is the inverse of what should be done!”

Mr. Ellig cautioned against the use of specialized compensation schemes, developed to slip between tax loopholes.

Popularity brings penalties

“The likelihood of those loopholes being closed is directly related to the number of companies that rush eagerly to adopt the schemes,” he said. “Evidence of this can be found with restricted stock options, and, more recently, tandem stock options. Furthermore, the value perceived by the recipient may negate the attractiveness of the cost-effectiveness. Thus, I believe both must be analyzed and the individual given choice, where possible.”

Once a compensation program is developed, it must be examined to see if actions can be taken by ex-

executives to reap rewards which are not in the interest of the corporation, he advised.

"In conclusion, the executive compensation plan must be related to industry considerations, corporate objectives, and individual performance in a manner that is not only cost effective but is attractive to the recipient," Mr. Ellig said.

Profit Center Manager Viewed Too Narrowly, Says Hay Associates

To every thing there is a season: a time for investment, a time for payoff, and it's time executive incentive compensation systems took this truism into account, advises Hay Associates in a recent issue of its newsletter, *Men & Management*.

Current profit not enough

Many concerns view the profit center's manager's performance too narrowly, i.e., only in terms of current profit, the management consultants observe. Managers should be rewarded for accomplishing company goals even though their center's profits may actually decrease in keeping with the business' overall strategy. The deployment of resources today may lead to greater profitability in a few years time, Hay points out.

"For example, the incentive program can be structured to reward the highly profitable commercial center executive on the basis of how much cash he 'poured through'—i.e., contributed toward the corporation's reallocation of funds—and which is therefore unavailable for his center's direct further use.

"For *his* part, the emerging or developing center manager's reward lies in how wisely he uses the resources passed on to him from other centers: more advanced, technically superior capital equipment, perhaps leading to increased productivity; a sharper competitive edge; intensified marketing effort

leading to higher market penetration; hard-hitting promotional campaigns translated into increased sales," the newsletter states.

Incentive compensation can be used to effectively implement corporate strategy by encouraging center managers to perform their respective roles within the company's overall plan, Hay believes.

Complimentary copies of this newsletter, *Men & Management*, Number 255, are available upon written request to M&M Editor, Hay Associates, 1845 Walnut St., Philadelphia, Pa. 19103.

Employee Theft No Guarantee of Insurance Payment, Expert Reports

Even if an employee is discovered stealing merchandise or money there is no guarantee that insurance recovery will follow, Saul Astor, president of Management Safeguards, New York, points out.

He believes that there are several steps a company should take in order to be sure of submitting the best fidelity insurance claim.

Notify on reasonable suspicion

As soon as a company has reasonable suspicion of a loss, the insurance carrier should be notified, Mr. Astor says. Even though a claim does not have to be presented at that time, an investigation should be started immediately.

Specific documentation of the extent of the loss should be developed. Mr. Astor explains, "The existence of an inventory shortage alone is not considered 'proof of loss' although shortage records can be a critical element in presenting the claim. Nor do confessions alone constitute proof of loss, except in combination with documented inventory shortages."

Written confessions should be backed up with legal tape recordings, preferably video-tape, the security consultant says. "As much

visual and physical evidence should be gathered as is economically warranted."

Mr. Astor points out that, "In some cases, a series of small thefts can be considered a major conspiratorial loss in a recovery claim." Consequently he cautions against moving too quickly against a single known theft for fear of losing the opportunity to recover losses incurred from an ongoing conspiracy.

For maximum recovery, Mr. Astor recommends that professionals be called in to gather confessions and evidence and prepare and negotiate the claim. An undercover investigator posing as an employee can be very beneficial. In selecting these professionals, the consultant says the business should be sure to retain a firm that will stay with the case even through the court testimony.

"Trained and experienced investigators, working professionally and secretly, are best suited for developing the leads and the evidence of theft. Then an interrogator and lie detector examiner can secure the confessions which support the documented loss," the security consultant says.

East Meets West in Hawaii—Or Does It?

East is East and West is West, and never the twain shall meet. At least not for a long time, according to General Telephone and Electronics Corp. whose subsidiary, Hawaiian Telephone Company, is now training Japanese businessmen in American telephone techniques. According to Hawaiian Telephone, Japanese use the phone only for minor details, preferring face-to-face conversations for major agreements. Americans, of course, make major agreements by phone and confirm the details in writing. So far no report on whether the Japanese are converting the Americans or vice versa in the great telephone controversy.

'Transactional Analysis,' Latest Favorite of Training Programs, Gets Mixed Reviews from Those Using It

Training programs for employees who deal with the public are including transactional analysis, the behavioral science theory that was first popularized by Dr. Eric Berne in his book *The Games People Play*. The technique analyzes the interaction between two individuals.

Transactional analysis was recently the subject of a special report by *Behavioral Sciences Newsletter*, a publication of Roy W. Walters & Associates, Inc., Glen Rock, N.J. The newsletter explains that TA is based on the individual having three possible ego states: the child, the parent, and the adult.

"The child" uses a passive-aggressive technique in attempting to gratify his needs (i.e., when one is acting "childish"). "The parent" likes to be unquestionably right and responds to situations in an authoritarian manner. "The adult," the desired ego state in business and most other social situations, uses the objective, rational thought process.

Three faces of workers

"We are dealing with two human beings, each with his own Child, Parent, and Adult. In other words when two people are alone in an office, there are actually six 'people,'" the newsletter explains.

"Transactions" become "games" as they become more complex. The game is composed of: 1—a series of transactions; 2—a gimmick; and 3—a payoff, according to the newsletter. One common game described is "Why don't you . . . Yes, but . . ."

"If non-productive games can be recognized, people can make progress toward more authentic and productive interactions," the newsletter says.

According to *Behavioral Sciences*, banks, airlines, and retail establish-

ments are using TA in their employee training. It is also being used in many management training courses. Foreman-level personnel have found the TA vocabulary comfortable too.

It is hard to measure the success of TA. One manufacturer took the technique out of its management training program because its results couldn't be proven. An East Coast retailer was using the technique in its adjuster training and could not demonstrate a direct payoff in sales; so it was dropped.

Some employee response good

"Those companies presently using TA feel it is *validated* by the enthusiasm with which it is received by trainees, and by frequent indications that it is a behavioral technique which is 'retained' by relatively unsophisticated personnel and incorporated into their own vocabulary and daily relationships," the newsletter finds.

California-Texas Microwave Network Authorized in West

Another company has won Federal Communications Commission approval for building a microwave network. Southern Pacific Communications Company has been given the go-ahead for building the Los Angeles-Houston segment of its proposed 11-state network.

SPCC is permitted to begin work immediately on 53 microwave towers along its 1,728-mile route between Los Angeles and Houston. The line will also connect San Diego, Yuma, Phoenix, Tucson, El

Paso, and San Antonio. SPCC anticipates completing this \$8.1 million project within a year.

The company expects the San Francisco-Los Angeles segment of its network to be in operation by this June. Applications for additional SPCC segments connecting Houston with St. Louis, and San Francisco with Seattle are pending before the FCC.

AT&T tries to revise rate

Though AT&T has said many times that it welcomes competition (see M/A, July-Aug., '71, pp. 8-9), it now is seeking to restructure its rates to meet the challenge.

On February 28, AT&T asked the FCC for permission to revise tariffs for interstate voice grade private line services. This is a break from the Bell System's policy of uniform pricing for all of its services.

Richard R. Hough, president of AT&T's Long Lines Department, said, "This move is required to meet the changing business conditions, notably emerging competition by specialized common carriers providing private line communications services on selected routes competitive with ours."

"By relating rates more directly to our relevant costs, the restructuring we propose will permit us to recognize competition on the high density, low cost routes these carriers seek to serve."

Under the proposed new private line rate structure there would be two rate classifications beyond 25 miles, one for high density and one for low density routes. Short-haul routes, 25 miles and under, would have a separate rate schedule applied to them.

AT&T maintains that for it to compete equally this price restructuring is necessary.

Mr. Hough explained, "AT&T, as a common carrier, is obligated to provide service to all who request it and are able to pay for it. Therefore, if we continue our policy of nationwide average pricing for private line services we would be making it possible for the newer carriers

to significantly undercut us on the high density routes where costs are lower, because the newer carriers—unlike the Bell System—are not required—nor show any disposition—to serve areas where service is much more expensive to provide. This would leave us with the lower density, higher cost routes for which the present nationwide average rates would become insufficient.”

Teleprocessing Spurring Computer Industry Growth Speaker Reports

Teleprocessing services are triggering the growth of the domestic computer industry, reports International Data Corporation, Newton, Mass., an analyst of computer trends. Total spending in the industry will exceed \$23 billion this year, IDC predicts.

IDC President Patrick J. McGovern told a meeting of industry analysts and users, “Although users have ambitiously pursued teleprocessing for nearly a decade, this year is the first in which budget dollar outlays will match management’s long-term enthusiasm for the technology.”

After doing in-depth personal interviews with corporation data-processing executives and an additional budget survey of over 200 sites, IDC staff members isolated four major reasons for the budgeting commitments to teleprocessing this year:

“First, to improve the number and types of services that a user can offer his customers.

“Second, to reduce operating costs by consolidating equipment of greater capacity at a central site and replacing remote computers with much less costly terminal-type products.

“Third, to use centralized files as a means to identify and analyze evolving business trends more rapidly.

“Fourth, to minimize the error

rates that exist in virtually every information system because of redundant files, diffused reporting techniques and varying quality standards.”

IDC President McGovern said the biggest spending rise will be in the equipment sector of the computer industry, up 13 per cent from last year. IDC considers budget commitments the best indicator of management’s priorities and 39 per cent of the users’ budgets have been committed to hardware purchase or rental.

“Since much of this equipment will be rented, and replace older equipment, these user spending reports do not reveal the true production volumes implied. Suppliers already consider 1973 a boom year, completing the recovery cycle that began after the spending holdbacks of 1970 and 1971,” Mr. McGovern said.

Time-Study Consultants Likened to Quacks by Utah Educator

Time-study consultants and efficiency experts were compared to “quacks treating cancer,” by Dr. Frederick Herzberg, who has been called “the father of job enrichment.”

Dr. Herzberg, University of Utah professor, made this comparison at a meeting sponsored by the Advanced Management Program Club, an organization of alumni from Michigan State University’s Detroit-based Advanced Management Program, March 15.

Workers are asking, “What kind of life am I leading?” Dr. Herzberg maintains. Consequently the three dominant managerial philosophies are collapsing. These he cited as: Taylorism, the scientific management which looks upon people as “hands”; the no-longer valid ideology of private enterprise; and the American managerial way founded on pragmatism.

He was asked, that if, in fact,

these systems are dead, why are the consultants who promote them flourishing? His answer was, “Why are there so many quacks treating cancer?”

Training key to motivation

Training is the most important key to motivating today’s worker, Professor Herzberg said. “The more a person can do the more you can motivate him to do,” he explained.

When someone is doing a good job he should be given added responsibility with the concomitant monetary benefits, Dr. Herzberg said. But he cautioned against giving a bonus like “throwing a fish to a seal in a sea aquarium.” He also advised that once you give the money to the worker do not keep telling him how good you are to him. “Give it and shut up about it,” the speaker said.

Dr. Herzberg noted that studies have found that in three to six months people are unhappy with their new salaries.

“No salary plan is going to keep people happy. If a man receives a \$10,000 salary increase one year, and \$5,000 more the next, psychologically he has taken a \$5,000 cut,” Dr. Herzberg stated.

This writer would like to know where the salary plan Dr. Herzberg alluded to is in operation, and if they need any more help.

‘Time Sharing’ Term Passé; ‘Remote Computing’ More Precise: INFONET

Let’s junk the term “time sharing” and replace it with “remote computing,” suggested John Luke, president of INFONET, a time-sharing network of Computer Sciences Corporation, at a recent EDP seminar for Government officials.

“The term time sharing originally referred to sharing time on someone else’s computer to avoid the heavy expense of installing your own equipment,” Mr. Luke ex-

plained. "Today, however, most firms of any consequence have quite substantial data processing centers. Yet they continue contracting with outside computer companies at an accelerating pace to get services that internal installations don't provide."

Remote computing is growing, projected as a \$1 billion market this year and \$2 billion by 1977, because in-house computers are being used more and more for management functions, Mr. Luke explained.

"Once used primarily to solve technical problems, today computers are indispensable for budgeting, financial analysis, sales forecasting, resource allocation, and other management-oriented tasks. However, internal data processing centers usually subordinate these functions to routine operations such as printing payroll checks and handling accounts. The obvious way around the roadblock is to go outside," the time-sharing executive said.

Mr. Luke also observed that these outside networks stock hundreds of specialized computer programs to meet a wide range of management requirements.

Mr. Luke's point seems to be analogous to the old joke: "When you're rich, you're eccentric; when you're poor, you're crazy." In terms of outside computer network use: when you're big ("of any consequence"), you're remote computing; when you're small, you're time sharing.

Two Computer Meetings Scheduled for New York In Near Future

In the next couple of months, New York City will host two meetings for those interested in computers.

The Ninth Annual AICPA Conference on Computers and Information Systems will be held this year at the Waldorf Astoria, May 21 to 23. Those who want to attend

should contact Noel Zakin at the AICPA, 666 Fifth Avenue, New York, N.Y. 10019.

Replacing the traditional Spring and Fall Joint Computer Conferences, the 1973 National Computer Conference & Exposition will be held at the New York Coliseum, June 4 to 8.

The conference is sponsored by the American Federation of Information Processing Societies. The AICPA, an AFIPS constituent society, will present a session at the conference, "The Auditor's Interface with EDP Systems."

For more information about the AFIPS Conference write to 73 NCC c/o AFIPS, 210 Summit Avenue, Montvale, N.J. 07645.

ADL Cites Advantages Of Data Base Systems Over Conventional Plans

The pros and cons of using data base systems, i.e., EDP systems that are organized in a fashion that permits the use of a single information file in several applications rather than just one, are explored in a recent issue of *The Casebook*, the bimonthly newsletter of ADL Systems, Inc., Newton, Mass.

Five major advantages

ADL cites five major advantages that data base systems offer over conventional processing techniques:

"Special file management software can simplify application program development by performing automatically many routine I/O and 'housekeeping' software functions.

"Sophisticated file structures offer powerful cross-referencing capabilities that eliminate redundant data and make possible fewer files.

"With data base systems, far fewer 'overhead' programs for use with specific applications are needed. This cuts down on sorts, merges, file extracts, duplicate updating of files, and scanning of files.

"Data base systems usually require fewer files and programs, meaning less set-up time and less external manual management of programs and data, with potentially streamlined operations.

"A major advantage cited by data base proponents is the ease with which changes in data elements can be implemented in such systems."

ADL also points out there are significant debits in the comparison of data base systems to more traditional ones. These include the large amount of additional hardware, mostly for memory and random access storage, that data base systems require. The management of data base files also calls for more complicated software and sophisticated skills to use and maintain the programs.

A hierarchy of indexes and keys controls the access to individual data elements, often resulting in slower overall processing speed for data base systems, ADL says.

"Aside from being new, data base concepts are inherently complex, requiring a broad approach and very careful attention to planning, details and service goals," the experts explain.

"To generalize, data base systems can be a major help to users with large file management and updating problems, high demand for one-time accesses and a large volume of changing retrieval needs," ADL writes. "They probably are not a viable approach for the small-scale user, or for an initial implementation effort."

ADL Systems, Inc., is a subsidiary of Arthur D. Little, Inc.

Most Commonly Used EDP Data Sources Listed

Computer software and hardware manufacturers offer the consultant volumes of new product literature, but when he wants an objective evaluation of their offerings, where can he turn?

At last year's AICPA Annual Conference on Computers and In-

formation Systems a practitioner from Arizona asked this question. He was advised to attend meetings similar to the one in progress, to find out the experiences of other CPAs, and to look into the available EDP magazines and reference services.

But which ones? The members of the AICPA committee on data processing recently asked themselves this question.

Committee member John C. Shaw, Touche Ross & Co., explained that the committee members were asked to go back to their firms and informally poll them to see which EDP reference materials are being used.

"There are 50 million pounds of information in this field now and no one can read it all," Mr. Shaw said. "I approached the problem by asking myself how many of these things can I digest in a month: I need a permanent reference on hardware; I need something for reference on software; I want to keep up with new products; and I need a broad treatment of the industry in general."

The committee list

Mr. Shaw compiled the committee members' replies and came up with the following list, in alphabetical order, of their most frequently used sources of EDP reference material:

—Various publications of Auerbach Publishers, Inc., 1100 State Rd., Princeton, N.J.

—*Business Software Information Service*, Hitchcock Publishing Co., 964 Third Ave., New York, N.Y.

—*Computerworld*, 60 Austin St., Newton, Mass.

—*DATAPRO 70*, One Corporate Center, Route 38, Moorestown, N.J.

—*EDP Analyzer*, 925 Anza Ave., Vista, Calif.

—*Modern Data*, 3 Lockland Ave., Framingham, Mass.

—*The Quarterly Bibliography of Computers and Data Processing*, Applied Computer Research, Suite 208, 8900 North Central Ave., Phoenix, Ariz.

"Conspicuous by their absence

from any committee member's list are the technical services provided by various computer manufacturers," Mr. Shaw observed.

The chairman of the committee on data processing, LeRoy Prall, Geo. S. Olive & Co., explained that the committee had made this list public with the hope that other CPAs would find it useful.

Charlotte Company Does Construction Cost Estimates by Computer

Construction cost estimating is being done on a computer by J. N. Pease Associates of Charlotte, N.C., a firm offering architecture, engineering, and construction services.

S. C. Markanda, a professional engineer and director of Pease's computer department, explained that when an owner of an office building asked Pease Associates to give him a cost estimate for the construction of an addition, "The computer gave us an estimate of \$842,128. The general contractor's estimate was \$814,873. I think the figures were remarkably close."

Pease is using the 1130 Construction Estimating Program, an IBM program product based on the *Uniform System for Construction Specifications* of the Construction Specification Institute.

The program breaks construction activity down into 16 divisions, i.e., concrete, metals, carpentry, furnishings, site work, which are subdivided into individually numbered work items, or categories, for which cost can be estimated.

Categories usually represent a physical part of the project, such as a wall, or a particular activity, such as clearing a site. The program provides for 13,536 individual categories of work. For each of these Pease determines a unit cost for labor, material, and any needed equipment.

The Construction Estimating Program also includes formulas for calculating volume and quantity

estimates for different categories. The formulas are based on take-off data for each category, information such as length, width, height, quantity.

An architect or engineer inputs the category number and take-off dimensions for each work item in his project. The program accumulates extended quantities in disk files by category number. After all the categories have been processed the program then takes the accumulated quantity in each category and multiplies it by the category item's cost. The program then prints out a division summary giving dollar estimates for labor, material, and equipment in each category.

General summary provided

The architect can request a general summary after all the estimated divisions have been summarized. A general summary gives a dollar estimate for each division. Also, a total estimate for the entire project can be obtained.

According to Mr. Markanda, "The operation is faster with these routines. In addition, the information in disk storage provides backup for recreating old estimates—in case we want to break down an original estimate, for example, to compare it with current costs." The firm's manual operations have been greatly reduced, he noted.

C. S. Halfhill, head of J. N. Pease Associates' structural engineering department commented, "With the American Concrete Institute code alone you're just out of luck if you don't use the computer."

Integrated Services Urged for 425 Agencies In Four-County Area

In the four-county Milwaukee metropolitan area, 425 separate agencies spend \$750 million annually to deliver health care and social services, a study conducted by Cresap, McCormick and Paget Inc. recently uncovered.

The consulting firm has proposed a restructuring of this fragmented social service delivery system along what it considers to be more logical lines.

CMP has recommended "that key, or 'lead,' agencies in major service categories assume the job of coordinating services and of influencing fund allocations to other agency programs in each category."

The creation of a broad-based, communitywide social planning body was also recommended by the consultants. This group would seek to identify service needs, set goals, and design strategies to achieve them.

Proprietary Hospitals Hope to Double Bed Capacity by 1976

The five-year-old hospital management industry currently controls four per cent of all hospital beds and will control at least eight per cent by 1976, says Creative Strategies, Inc., Palo Alto, in a recent study. Its prediction is based on the investor-owned hospitals' announced plans for new construction in terms of dollars and beds.

CSI observes that of the approximately 25 to 30 hospital management companies in the industry, there are nine major participants.

Location sites

The industry analysts believe that in this field strategic geographic location is the key to successful competition. They note that once a hospital is licensed and certified by the state in a certain service area, it effectively controls that geographic area in terms of future hospital growth.

CSI's hospital management study is part of its "Industry Analysis Service." The report is available from Creative Strategies, Inc., The Executive Building, 1032 Elwell Court, Palo Alto, Calif. 94303.

New Products and Services—

RCA Predicts that Holographic Computer Memory Using Laser Beam Will Replace Present Storage Systems

A demonstration model of the holographic optical computer memory has been unveiled by RCA Corporation. The company predicts this memory could well be the forerunner of a new generation of mass memories equal in capacity to, but 1,000 times faster than, the largest disk systems achieved to date.

The memory stores data in holograms formed by a laser beam on a thermoplastic storage medium. In simplified terms, the digital information is read in something like this: A laser beam is passed through liquid crystal cells which are electronically controlled. The digital information is stored by forming tiny dark areas (the "one" in binary code) in some crystals, and leaving them transparent (the binary code "zero") in others. The laser projects this light and dark pattern into a thermoplastic-photoconductor sandwich which it deforms to produce a phase-relief hologram.

To retrieve the data a laser beam is sent through the hologram and projected on a light-sensitive array which reads the optical data and converts it into electronic signals.

Medium reusable

Data can be erased from the memory by applying heat to the thermoplastic storage medium. The thermoplastic can then be used over again.

Thomas O. Stanley, staff vice president of research programs at RCA Laboratories, said, "The holographic memory has the potential, when fully developed, to replace the entire hierarchy of core, drum, and disk systems now used, and thereby to simplify the whole architecture of computers and many other information systems. It would be particularly well suited to the many growing applications where large volumes of data are handled."

RCA's development of this new memory concept was partially supported by NASA. Not only computers, but other parts of the communications field including information transmission from satellites, are potential beneficiaries of the new technique.

Burroughs Introduces B700 Series Computers

In its continuing effort to capture the small system end of the computer market, Burroughs Corporation has introduced a new series of Computers, the B 700.

Burroughs President Ray W. MacDonald said, "In terms of power, capabilities, and price, the B 700 series fits between our Series L business minicomputers and the B 1700 series of small-scale computer systems. For example, the average purchase prices are around \$25,000 for an L 8000 business minicomputer, \$50,000 for a B 700 system, and \$100,000 for a B 1700 system."

One of the B 700's features is an "interrupt and resume" capability that permits orderly interruption of extended length jobs, such as an invoicing run, for purposes of inquiry or for the generation of management reports, a cash requirements report for example.

Burroughs is also making available a new series of solution-oriented Business Management Systems programs for use with its small computers. The programs are ready-to-use packages for particular lines of businesses covering the major areas of a company's operations.

A complete Business Management System package, including all modules, personnel training, and system support, is priced just under \$10,000. Individual modules are available for from \$2,500 to \$4,500.