

VII..

"Confessions of a Company President"

Event

Not Specified

11 June 1974

Pages 1-5

Confessions of a Company President

Yesterday afternoon I returned to the office at 5 o'clock from Miami after attending the OPEIU Convention and I was talking to Ray Griffin. Ray said to me, "B, would you care if I gave you some constructive criticism?" and I said, "No." I sort of wish now I'd had him wait until this morning, because I couldn't sleep all night. I couldn't sleep because he was so right and I was so wrong. Then I read this review of a book entitled HANDBOOK OF LEADERSHIP, which only confirmed what Ray had told me.

Ray's primary criticism was that I reacted rather than acted, and let's go over some of the areas where he was specific.

First, he was critical of our handling of the credit union business. He pointed out that before we said Okay let's do it, that the Company should have done a lot more research before we allowed the SGA to invest his money, and then come back with: Well, you can't do this and you can't do that. Well, he is right. What good is that after he has already invested his money in the deal? We know now...and we only knew it yesterday...that credit union business should not be written except where you have a guaranteed issue situation, such as the field-issue cancer, or the intensive care policy. So, from now on, that's the way it is, there is no point in letting you guys advance money to agents on business that has to be underwritten, and jeopardize the clear accounts that most of you have, when the truth is that thirty to forty percent of the business is never issued, either because of cancellations before or after issue. If we had done the research properly we would have none of this.

I pledge to you that from this point on you are not going to get any snap answers on anything that you might want to do that is not related to what we are presently doing. So, if you have a new deal we will research it out, and when we say "okay," then you can be darned sure that you will have a proper set of instructions which will insure a profitable situation for both you and the Company.

For example, some of you have talked to us about FEGLEY. I said we would go into it. I shouldn't have said it, and thank God none of us has, yet. I am going to appoint a home office committee to make a study of FEGLEY which will incorporate things such as: how should the business be financed; how do we get the lists; how is the business underwritten. In the next sixty days we will have a prepared study so that all of you who have an interest in this program can go into it with total confidence.

Let's take Direct Mail. In my desire to please all of you, I have been wishy-washy about this. No more. Let me tell you why. When we send to an insurance department a mailing on a special policy, such as the cancer or intensive care, too often they review the entire thing all over again and, in most instances, make us withdraw the policy.

We are an agency company with a commitment to the men in the field. We

We are going to have a hard, inflexible rule, that any situation that jeopardizes an agent in the field, no matter how slight, will not be given any consideration. It is my firm view that a company must either be in Direct Mail, or be an agency company. We have chosen the latter. There will be a few exceptions, but only when there is no infringement on our commitment to the agency force. The general rule therefore is: There will be no mailings.

The key to the kind of leadership you are going to get from this Company is contained in the following paragraph:

The ONLY leadership pattern that favors cohesiveness and satisfaction and productivity too, Stogdill notes, is the structuring of roles - making it clear to people what is expected of them. "This pattern of behavior is perhaps the central factor in leadership," he writes near the end of his book. "Philosophies of leadership and training methods that undermine this factor destroy the very foundation of leadership."

Another item: the mailings you are making for leads. We have just received an order from a state as to why our license should not be withdrawn from it because of an authorized mailing made by a State General Agent. We have been able to resolve the problem, but the General Agent will probably lose this state.

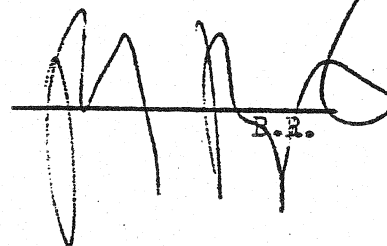
THE MOST SERIOUS BREACH OF CONTRACT IS FOR A STATE GENERAL AGENT TO PUT OUT A MAILING THAT HAS NOT BEEN APPROVED BY EXECUTIVE OFFICES.

It not only jeopardizes yourself but the Company and all who are associated with it. I have instructed Mr. Bill Lee that he is to give you thirty-six hours' service on any letter sent in for approval. That is a firm commitment. We cannot tell you that a transgression such as putting out an unauthorized mailing is the most serious breach of contract and not reinforce our responsibility by giving you immediate service so that you can comply.

The final item are the Life quotas we gave you for June, July, and August. I told you in my speech that history may or may not be a guide to the future; also, that people don't change usually, but they can. I am one that can. This is the first time that we have put out quotas that you can fully expect to be enforced - without equivocation. This is one area that, if you use my past as a judge of the future, you will be in serious trouble. I understand my responsibilities now better than I ever did, and that's why this confession is so lucid.

So that everyone can know what to expect: if an agency is off quota 20% or less, they will have the next quarter to make up their deficiency. If an agency is off quota more than that, then I just have to assume that the SGA isn't really that interested. Loyalty is a two-way street and involves recognition of mutual responsibilities. We are going to measure up to ours, and we expect you to measure up to yours. When we do this we are all going to have a lot more fun, and make a lot more money.

P. S. Just to give you an idea of why we have indicated the seriousness of the breach by not having approved any and all advertising material, I thought you would be interested in this attached bulletin from an insurance department, the subject of which is: "ADVERTISING - H&A INSURANCE"



B.R.

Enclosures: Xerox of article in BOOKS & IDEAS, entitled "Almost Everything You Ever Wanted to Know About Leadership," by Wm. Bowen.

Bulletin to all companies from Insurance Department, State of Mississippi, dated 5/29/74, re: "ADVERTISING - HEALTH AND ACCIDENT INSURANCE"

June 11, 1974

Almost Everything You Ever Wanted to Know About Leadership

by Liam Bowen

If it is possible to learn about leadership by reading about it, then the American who knows the most about the subject is almost certainly Ralph M. Stogdill. Who is he? He is professor of management sciences and psychology at Ohio State and a heroic reader. Over a span of years he read more than 3,000 books and articles having to do with leadership—"all the competent research directly relevant" to the subject.

Now he has distilled that truckload of pages into one hefty but portable volume, entitled *Handbook of Leadership* (Free Press, \$19.95). With an ungrabby title, a 150-page bibliography, and 425 relentlessly packed pages of text, the book will have fewer readers than it deserves. Any manager who is thinking of modifying his own or his company's managerial style in accord with some trendy theory might do well to pause and consult *Handbook of Leadership*. He might change his mind.

Nothing not to be found in the book is a simple and satisfying definition of leadership. As Stogdill observes, there are almost as many definitions of leadership as there are people who have tried to define it; but leadership is too complex and too variable a phenomenon to be captured in any definition.

It is clear, though, that leadership is

Tests designed to measure different aspects of personality have not proved very useful for selection of leaders.

not something managers and officials possess just by virtue of being managers and officials. A leader gets followers to do something more than his formal authority can require them to do. In the words of one author, leadership is "an interpersonal relation in which others comply because they want to, not because they have to." Valuable in all seasons, leadership has become more and more as authority has weakened throughout society.

Partly because it is so valuable, a great deal of research effort over the years has gone into trying to identify potential leaders by ascertaining what traits leadership is associated with. What have leaders got that the rest of us haven't got? Unless you're willing to settle for "leadership" as the answer to that question, the answer turns out to be exceedingly elusive.

Many correlations show up, to be sure. Various pieces of research indicate that leaders tend to be (among other things) more intelligent, more persuasive, more self-confident, more industrious, more dependable, and more humorous than their followers. But none of these qualities seems to be absolutely necessary for leadership, and all of them together may not be sufficient. Put an intelligent, persuasive, self-confident, industrious, dependable, and humorous man in a situation where leadership is possible, and he may emerge as a leader or he may not. "Tests designed to measure different aspects of personality," Stogdill observes, "have not proved very predictive or useful for selection of leaders."

See who salutes

But while it is elusive and hard to predict, leadership is undoubtedly real. Aside from everyday observations, there is a great deal of experimental evidence showing that something identifiable as leadership attaches to some people very much more than to others. "When members of experimental groups are successively reassigned to new groups," Stogdill reports, "the same individuals tend to emerge as leaders."

The best predictor of future leadership, then, is past success at it. Perhaps the only sure way to find out whether a young executive has leadership is to put him into situations where leadership is possible and observe what happens—see who salutes, so to speak.

Leadership implies getting people to do things, which in turn implies that there are things to be done. Again and again in *Handbook of Leadership* the point recurs that leadership has little meaning except in relation to some task

or goal. A figurehead is not a leader—"leadership is always associated with the attainment of group objectives."

Where there is no goal, then, there cannot be genuine leadership (unless the leader himself can supply a goal). In some measure, the often deplored inadequacies of leadership in many Western nations these days may reflect the lack of common purpose, rather than just the personal failings of individual leaders.

A tide of opinion

Most of the numerous varieties of leadership referred to in *Handbook of Leadership* can be sorted into one or another of two basic modes. On one hand

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there is work-oriented leadership, including such variations as authoritative, directive, and structured. On the other hand there is person-oriented leadership (democratic, permissive, participative, etc.). A modern manager hardly needs to be told that in recent years the tide of opinion has run very strongly against the work-oriented mode. Under person-oriented leadership, it is said, workers are not only more satisfied but also more productive.

Perhaps the most valuable feature of Professor Stogdill's book is that he questions this prevailing viewpoint—or musters research findings that call it into question. Contrary to what might be supposed, person-oriented leadership does not seem to improve motivation. And the effect on productivity, where serious research has tried to assess the effect, "is zero or negative as often as it is positive."

Alluding to Douglas McGregor's famous distinction between Theory X and Theory Y, Stogdill writes that the results of research "do not support the hypothesis that group productivity and

cohesiveness are higher under permissive, Theory Y types of leader behavior than under more restrictive, Theory X patterns of behavior." To some extent, the overselling of the person-oriented style seems to reflect ideological bias against all forms of authority.

Paradoxical freedom

Stogdill reports that a business executive once said to him: "You psychologists keep telling me that I have to choose between a soft-headed or a hard-hearted form of leadership. It seems to me that there is a golden mean somewhere between these two extremes."

The professor agrees. And from studying the results of research, he identifies the golden mean as a leadership style that he labels "structured." It is work-oriented, but not autocratic or restrictive. Its essential characteristic is that the leader lets followers know what is expected of them.

"The members of organized groups," Stogdill writes, "tend to desire a type of role structure that lets them know what they are expected to do. Without such structure the individual suffers uncertainty, fears the possibility of making

serious errors, and tends to be inhibited in making decisions and initiating action." Paradoxically, making it clear to people what they are expected to do tends to increase their freedom of action—the opposite of what might be assumed by those who believe that A's authority necessarily diminishes B's freedom.

The most effective leaders, Stogdill finds, are also "considerate"—they look out for the welfare of followers. The

It is a contradiction to call sensitivity training a method for building leadership.

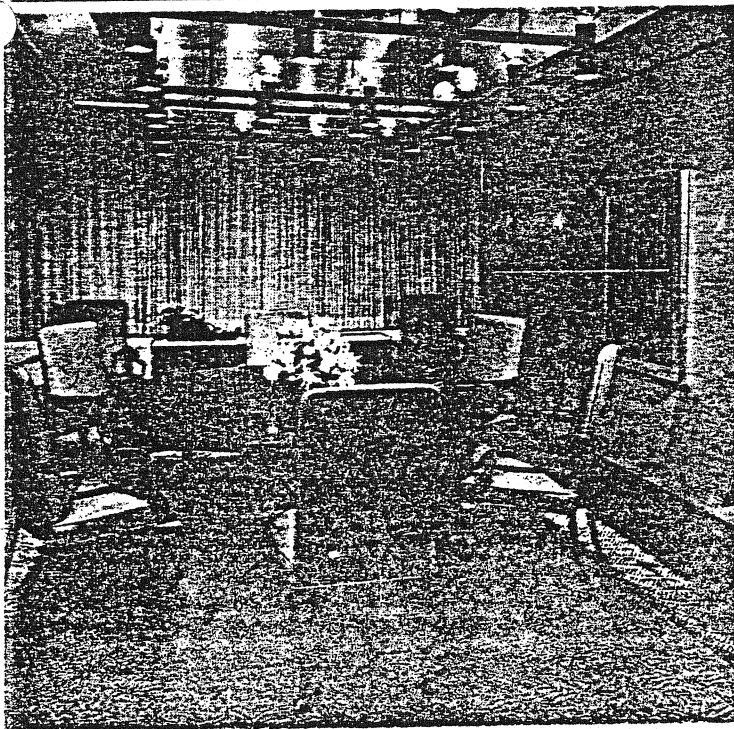
ideal leader, in other words, combines the work-oriented and person-oriented modes of leadership. But as between consideration and structure, structure is more important—some degree of structure is necessary not only for the organizing of work but also for the satisfaction of workers' needs. Members of a group, to be sure, tend to fare best with a moderate degree of structure, rather than with a lot of it, but "they prefer too much structure over none at all."

Stogdill, then, is convinced that—the sake of the workers as well—work—the leader should have authority to establish and maintain structure. Accordingly, he takes a negative view of leadership theories that are basically hostile to authority. He is especially hard on "sensitivity training."

Preparation for surrender

"It is a contradiction of fact," writes, "to call sensitivity training a method for building leadership." Instead, it prepares the leader for "surrender of leadership to the follow-up group." Research results, he says, indicate that "group cohesiveness and especially increase after sensitivity training of leader, but productivity declines."

The only leadership pattern that favors cohesiveness and satisfaction—productivity too, Stogdill notes, is structuring of roles—making it clear to people what is expected of them. "The pattern of behavior is perhaps the central factor in leadership," he writes at the end of his book. "Philosophies of leadership and training methods undermine this factor destroy the foundation of leadership."



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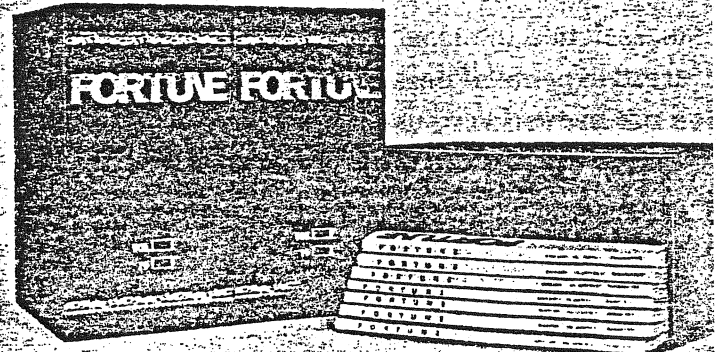


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STATE OF MISSISSIPPI

JACKSON

May 29, 1974

TO: ALL COMPANIES WRITING HOSPITAL, ACCIDENT AND SICKNESS
INSURANCE IN MISSISSIPPI

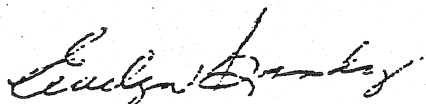
RE: ADVERTISING - HEALTH AND ACCIDENT INSURANCE

This notice is prompted by recent problems in Mississippi which have been caused by the advertising of health and accident insurance by agents and/or agencies apparently without authorization by the insurance company issuing the policies.

As you know, your company is responsible for all advertisements of its policies regardless of the form of these advertisements or whether they are handled by your home office or one of your agents. In this regard, we refer you to Section 2, Paragraphs A and B, of the Amended NAIC Rules and Regulations governing advertisement of accident and sickness insurance, adopted by the Mississippi Insurance Department on April 9, 1973.

We urge you to instruct your agents in this State concerning the matter referred to above. You are further urged and expected to take whatever administrative action is required to see that all your advertising of health and accident insurance is in full compliance with applicable Mississippi statutes and the Rules and Regulations adopted by this Department.

Your immediate attention and cooperation concerning this matter is appreciated.


Evelyn Gandy
Commissioner of Insurance

EG/jrb