

OUT OF THE PHILADELPHIA COFFEEPOT

Opening Remarks
by
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1963 Conference of Personnel Officers
of the Federal Reserve System

May 6, 7, and 8, 1963
Federal Reserve Bank of Philadelphia

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By Karl R. Bopp

It is a great pleasure to welcome you, the members of the Personnel Conference of the Federal Reserve System, your associates, and guests to the Federal Reserve Bank of Philadelphia. I must warn you that it is incumbent upon me at the outset to report that some things have changed since I corresponded with Fred Smedley about this Conference. The circumstances at that time are revealed in our correspondence. Here are the relevant quotations:

Fred's letter of January 3, 1963 to Karl:

I am writing to you in your dual capacity as Chairman of the Committee on Personnel of the Conference of Presidents and President of the host bank for the 1963 System Conference of Personnel Officers.

We are aware of your long-standing interest in personnel administration and we would like very much to have you address the Conference on a subject of your choice.

Karl's letter of January 7, 1963 to Fred:

As "Lord High Everything Else," I agree with the dates of May 6 to 8 for the meeting of the 1963 System Conference of Personnel Officers. As Private Secretary of the City (i.e., President of the host Bank), I do so with the recommendation "not to stint myself" to make the occasion altogether enjoyable. You appreciate, of course, that as "Chancellor of the Exchequer," Pooh-Bah (Chairman of the Personnel Committee of the Conference of Presidents) is bound to see that "due economy is observed."

I shall also be happy to check with *THE MIKADO* as to a capacity in which it will be appropriate for me to address the Conference. He has already given me the preliminary injunction not to accept any specific title for my remarks. Hopefully, they will be appropriate without a title.

How circumstances have changed in a few short months! Now, as you all know, I am no longer Chairman of the Presidents' Conference Committee on Personnel. In real life Pooh-Bah has been executed! This change in status was not of my volition. If, however, there must be a reason for everything that happens, there is a certain poetic justice in the change. If you explore the rationale behind it, you might conclude:

1. There is a certain amount of luck in all our lives -- and, as will become apparent as we go along, I have never had much luck in personnel.

2. The change was made by my peers to warn you clearly and specifically not to take too seriously anything that I might have to say.
3. The tempting assumption that: "If only I were president, things would go my way -- or else," may have to be -- well, qualified a little bit.

Before you rejoice too completely in this change, you should consider that many things happen in the Federal Reserve System that have not been predicted -- and, indeed, are difficult to explain. You never can tell; I might be back!

It is customary to welcome groups by saying how important they are. I have just done this again! I am sure we have shared the experience of receiving welcomes that, somehow, were hollow, that left us feeling unimportant.

You, however, are personnel men. You know the elementary truth that in a first-class organization every job is indispensable. The responsibility of the job may be large or small; the talents required to perform it may be scarce or plentiful; but every function that is in fact performed should be necessary. I believe that the Federal Reserve System is a first-class institution; and I enjoy the opportunity to welcome representatives of every one of its functions to meet here in Philadelphia.

I happen to have particular reasons to be acutely aware of the importance of the personnel function. First of all, it is the door through which I entered the Federal Reserve. During the summers of 1940 and 1941 I participated with Canby Balderston and Bill Newman in studies of Executive Compensation and Executive Development for the Chairmen of the Federal Reserve Banks under the initiative of Tom McCabe. It was as a result of these studies that Al Williams and Tom McCabe asked me to join the Federal Reserve Bank of Philadelphia. My job? Personnel Director!

I started to work on September 15, 1941. Even before the Japs attacked Pearl Harbor in December, I was acutely aware that I was a square peg in a round

hole. I went through the torturing agonies of one who feels himself a failure. My feelings were all the more acute because I had come to the Bank as -- I won't say a cocky or arrogant, but -- a self-confident young man. Nothing had ever really challenged me before; now, suddenly, I was overwhelmed!

I bared my soul to Al Williams and told him I thought I should resign and return to teaching. Although he was willing to facilitate such a transfer, he preferred to redeem me as a continuing member of the Bank staff. He brought in Bob Hilkert and transferred me to Research.

My reason for recounting this bit of autobiography is to indicate the origin of a bias that permeates my whole approach to personnel policy and human relationships. What impressed me was that though I felt myself a failure, everyone was doing his best to make me succeed! Leading them in this effort was Al Williams, who would not take the easy way out by permitting me to resign but who counseled and worked to develop me. Then there was Cas Sienkiewicz who accepted me in research even though I might become a problem for him. Then Bob Hilkert assured me that I had done nothing as Personnel Director that he had to undo. Beyond these the Bank seemed to be filled with individuals at all ranks who somehow felt that something was wrong but who did their level best to make it right. Few kicked me while I was down; almost all tried to help me back on my feet.

You appreciate that this experience changed my perspective; gave new meaning to what I had read. It cut me down to size. It confirmed a view, inherited from and demonstrated by my parents, that nobility of purpose is independent of station in life. It demonstrated that, within wide limits, the members of an institution can create their own environment in which they earn their living. It suggested that, if only we can bring ourselves to have faith in our colleagues, they will rarely "let us down," and are much more apt to surprise us with the quality of their performance. It gave me confidence in my colleagues.

You should also know that for many years Bob Hilkert and I have spent about a half hour over coffee every morning that we are both in the Bank, talking about whatever concerns us. It should not surprise you to learn that we talk most about the Federal Reserve, especially the people who now are the Federal Reserve Bank of Philadelphia and who will make it a better Bank in the future.

Our backgrounds and experience had much in common when we first met. Both of us came from teaching. Now, the real measure of a teacher is not what he does but what his students do. We brought that feeling with us to the Bank and continue to derive our deepest satisfactions from the achievements of the staff. I may be sentimental, but it gives me a real thrill to see the masterful jobs that the senior officers are doing, the obvious enjoyment they derive from doing it, and then reflect that I may have had a little something to do with their achievements. I confess there is more than a tinge of selfishness in this. So long as the senior officers perform like top professionals, my own job is secure, except for a few not unimportant duties that the president of a Federal Reserve Bank cannot delegate. Bob and I fully expect to pass our final test by seeing our own positions filled by promotions from within and seeing the Bank move forward to greater achievement under our successors.

We have shaped and molded each others habits of thought so thoroughly during two decades of intimate discussion that I can no longer separate what is mine from what is his in our ideas. In fact, I shall steal liberally and without acknowledgment from him in what I have to say. I do this without embarrassment because both of us are interested in real people and real problems, not in scoring points on each other. Those of you who know this Bank at all will appreciate that Bob actually does most of the things I shall say we do. He is the consummate master of personnel administration.

I find it useful, though a bit arbitrary, to divide a personnel program

into two basic parts. The first is a set of principles as to the nature of individuals, the relationships that one believes should exist among the members of a staff and with the institution. The second part consists of procedures and methods by which the appropriate relationships are developed and maintained. The first part is essentially philosophical and ethical in character; the second part is primarily scientific. The art of personnel administration is to fuse these two elements. Ideally they should be integrated as inseparably as the atoms of a molecule; there is, however, a hazard that one part or the other will be taken for the whole.

In the days before job descriptions, job evaluation, labor market surveys, and formal training programs, little science was applied to personnel administration. It is important to keep in mind that these methods and procedures were developed to implement basic philosophies by forward-looking executives. But that was so long ago that inertia has developed in some places, and such technical aspects have taken on an independent life of their own. I have a suspicion that some managements behave as though they believe that formal programs and scientific gadgetry will give them the correct answers to their problems without reference to ultimate principles and real implications. In short, what started out as a means to an end has tended to become an end in itself.

It is because of this suspicion and because a real contribution to the scientific aspects of our problem presupposes an expertise that is clearly beyond my capacity that I shall concentrate on the first element that I mentioned because it seems to me not only equally important but also relatively more neglected in these later days.

Do not misunderstand me. The scientific aspects are enormously important and I am delighted to see that you are going to discuss such important problems as extrapolation for higher salary ranges and measurements of people. After all we do have the problem of manning the shop. This may involve consideration of

scarcities of particular skills at any given moment as well as comparative "inherent" difficulties of jobs. I regret particularly that I must be in Washington when you will be discussing systematic grievance procedures tomorrow. Every management likes to believe that its organization is "a good place in which to work." We believe that is true here. But the history of institutions records too many cases of serious error in that judgment for us to be complacent.

The burden of my message is not that techniques are unimportant but rather that mastery of them will contribute immeasurably more to the solution of our real problems if application is motivated by empathy, a respect for the individual, and a passionate desire for equity.

Let us begin, then, with our conception of the nature of the individual. The outstanding characteristic of individuals, of course, is that each is unique. We consider it our function to seize the opportunities that this diversity provides in creating an institution that exposes the strengths of its members and submerges their weaknesses even as we attempt to promote improvement in all respects. Since we are not paragons ourselves, we do not demand perfection in others though we strive for that goal. In baseball it is not necessary that a 20 game winner be also a .400 hitter before he can make the team -- or even be a star performer. With us, it is not necessary to be a Ph.D. in economics to be vice president in charge of data processing or collections. But just as a championship baseball team needs good hitters and fielders as well as good pitchers who play as a team, so we strive to develop a strong team with each man playing the position that is correct for him and the team.

This approach, as well as our size, may help explain why we have not developed a formal system of rotation. We appreciate that variety of experience enlarges opportunities and ambitions. And we do move people from time to time. But each move is made with reference to particular individuals and in the light of all the surrounding circumstances.

This approach is based on experience acquired during my brief tour in personnel. I remember that I analyzed the experience of all supervisors who were considered of exceptional capacity by their peers. I was shocked to find that some of them had held the same position for more than a decade. I remember being determined to "do something" about that. I even negotiated a few transfers. You can imagine my surprise when some of these individuals asked to be returned to their former positions! Why? For many reasons. I would be the first to admit that one of the reasons was that some had been in the same job too long to change. But this was not the only reason. Some had achieved the peak of their performance in the light of their inherent capabilities. They preferred success in the job they held to the risk of failure in another -- possibly more responsible job.

I must confess that this problem continues to trouble me because a number of basic principles that I accept point to different answers when applied to the facts of a given situation. One of these principles is that an institution gains strength and efficiency to the extent that it affords each member a maximum opportunity for self-fulfillment. A second principle is that variety of experience enlarges opportunities and ambitions. This, of course, is the principle on which the practice of rotation is based. The fact on which these two principles sometimes clash is that some individuals fulfill themselves short of occupying the top job. Now, a moment's reflection will demonstrate that life is tolerable only because this fact is indeed true. How would you feel if everybody on your staff wanted your job and felt himself qualified to handle it? No, life is tolerable for those in responsible positions in part because few really envy them. Life would be more enjoyable if everyone had a realistic comprehension of his own capabilities; but even under these ideal circumstances, the inherent conflict would remain.

Do you promote an individual even though it is your considered judgment that, unless there is a Pauline conversion, this will be his last move -- or do you invariably fill the vacancy with individuals who have greater probability of still further development?

I do not believe that the old Navy principle of "up or out" is applicable to the Federal Reserve Bank of Philadelphia. We gain strength by having a substantial core of department heads and junior officers of long experience who have reached and are continuing to perform at the peak of their abilities and derive satisfaction from doing so.

I became convinced of another characteristic of the individual early in my career as a teacher. It is simply that every individual must educate himself. The university, especially the faculty, has a responsibility to create, foster, and develop an environment in which it is exciting and significant to learn, to understand, and to comprehend. But the student has to do the educating. I feel equally strongly that every man has to train himself, has to do his own growing. It is the responsibility of management to foster an environment in which members can grow.

Obviously not all individuals have equal capacity to grow. It is critically important, therefore, to select the right individuals if the institution is to develop far beyond the capacities of its current management -- which is our ambition. There are no sure-fire methods of selection. I do not wish to create the impression that Bob and I feel we have found a litmus that we can apply to an individual to determine his capacity for growth. We have, however, devoted countless hard hours to the problem because of its importance both to the future of the Bank and to the lives of every individual on its staff.

We have developed and distributed to all officers a little check list of the factors we consider in appraising an officer. We feel this document is a

useful tool in encouraging and facilitating self-appraisal by each officer. Fortunately, our corps of officers is small enough so that we know a good deal about the performance, strengths, and weaknesses of most of them. This, as you can imagine, is the most important and most frequent topic of our conversations over coffee. This means, in turn, that we have the great advantage of being able to operate with a minimum of formalities. For example, we do not have a regular periodic review with each officer concerning his strengths and weaknesses.

A weakness is important when it results in poor performance. Improvement is most likely to result if it can be discussed as soon as possible after a specific performance has demonstrated existence of the weakness, when the point at issue is still alive, the surrounding circumstances are still fresh in memory and the discussion has meaning. A sense of urgency and involvement may well be lost if discussion is deferred, perhaps for months, until the next annual review.

Our view is that development of the official staff is a continuous not a periodic process. Strong points are buttressed and shortcomings are mitigated most effectively on "live work" as it is being performed.

Of course this takes time, a lot of time, and at inconvenient times; but of all the hours we spend, we consider these the most productive.

What characteristics do we seek in those who will carry on after we are gone? I shall steal generously from Bob in what I have to say.

First, we seek technical competence, a term which covers more territory than appears at first blush. The executive is usually competent in one or more specialized fields. In the plying of his own profession he is "good in his own right." In the heading of an organization, however, he demonstrates his recognition of his own strengths and limitations. He realizes that the organization is too complex for him to be able to excel in all the fields which enter into the

business. Therefore, he selects and trains capable subordinates, and really delegates. His big task is in the field of planning and coordinating and controlling the activities which comprise the business. This is all part of technical competence.

Second, we seek a broad, intellectual outlook. I cite two extremes to illustrate what I have in mind. Some individuals limit their serious reading to matters they "need to know," if I may borrow a phrase from the classification of documents for security purposes. To illustrate from your own speciality, this would be -- an obviously non-existent -- hypothetical personnel officer who would not read anything about the Civil Service because "thank goodness, Reserve Bank employees are not under Civil Service" or about unionism because "thank goodness, we are not unionized."

Such an individual may have all the answers to past questions but he does not even know what questions to ask about the unknown future, to say nothing about answers. At the other extreme are those whose curiosity is unbounded. They read not only in their own specialty but widely in the whole dramatic experience of mankind. Such study need not, of course, be haphazard! At this extreme are those whom John Stuart Mill called "capable and cultivated human beings."

Third, the leader should have a highly developed sense of honor. You may point to cynics who have acquired great wealth and power. But they are "lesser men" and are so regarded by all clear-thinking individuals. The real leader is motivated and guided by moral and spiritual values.

Fourth, he should be concerned for the public interest. The corporation executive whose philosophy is "the public be damned" is today a rare bird. In the first place, it simply is not a workable philosophy in this day and age -- if in any age. More important, however, is that the business leader today thinks and works in the public interest because he feels it is right to do so. The days

of the publicly irresponsible executive are, if not over, at least numbered.

Fifth, we seek skill in human relationships. The great problems of the age -- international, national, and corporate -- have to do with the relationships of people. There can be no peace among nations, no political peace at home, no industrial peace, without the cooperation and collaboration of men of good will. Securing the cooperation of men of diverse interests requires the exercise of the highest kind of social skill. It is the skill which, perhaps more than others, is the distinguishing characteristic of the business leader. This skill, however, is almost certainly impossible of attainment unless it rests upon a foundation of the other qualities and accomplishments which I have enumerated.

It was Robert Browning who wrote: "Ah, but a man's reach should exceed his grasp." In that spirit permit me to close with a statement of -- not the achievements but -- the ambition Bob and I have for the Federal Reserve Bank of Philadelphia. It is to create a working climate in which --

- (a) Each member of the staff is and feels himself a necessary and therefore important part of the Bank.
- (b) Each individual derives deep satisfaction from contributing all within his power to the services we render.
- (c) Each individual is rewarded in proportion to his contribution to those services.
- (d) Supervisors at all levels want their subordinates to make good, help them make good, and rejoice with them when they do.
- (e) The Bank is prepared to achieve ever higher goals in the future despite the mortality of every individual in it.

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