

Interview with: G. B. MITCHELL

**President
Dana Corporation**

and

S. W. GUSTAFSON

**Executive Vice President
Dana Corporation**

**By: HERBERT Z.
HALBRECHT**

**Past President
The Society
for Management
Information Systems**

MIS QUARTERLY: What do you believe top executives, in general, expect from their information function?

MR. MITCHELL: As the President of the company, I'd have to go back to when I first came to Dana Corporation. Almost everything we received in the way of information was supposed to be available on the 15th of the month, but the 25th was the more common date. Almost every bit of information that we needed to run the business on a daily basis was 25-30 days late. Every business and operation we had was forced into the same mold so that we could get exactly the same information from everybody, but this didn't work for us. What we get today still is not the answer. We need to know trends as quickly as possible. What we try to get from the groups working together on this floor is some perception of how they expect things to

go. We've tried it all through the company in all the different operations. We want information on an hourly basis that tells us what the business is doing. We really are not interested in an answer because if we know the direction we're going and we know it quickly enough, then we'll make the answer come out right.

MIS QUARTERLY: What kind of information do you expect on an hourly basis?

MR. GUSTAFSON: Sales, profits, cash flows, cash balances.

MIS QUARTERLY: Do you get these hourly?

MR. GUSTAFSON: Yes. Every day our facilities forecast the sales for the month. We ship parts every day and bill every day. As long as we have this daily activity, we have to know what our sales are every day. It's very simple to generate these reports. One of the tricks, of course, is to try not to get all possible reports. We work on the old 80/20 rule that 20% of the reports will get us 80% of the answer. We can get 50% more and get up to 90% by just flipping a coin. We are interested in more than numbers. We never base a decision on the facts alone. We base a decision solely on what we anticipate a fact is going to be. Because a fact is something that has already happened, we can only direct our business in the future. We can do nothing about the past. Only a few facilities — 20 out of 100 — must report to us daily in order for us to determine the trend of our sales. Once we establish the trend of our sales, then it is a very simple matter to establish the trend of our profits.

MR. MITCHELL: As an example, last week we had some business that required both the Executive Vice President and me to be away from the office. Yet, on Thursday I could have told you that our September sales had decreased or were in risk of being decreased by slightly more than \$5 million. I knew because of the products involved that our after tax margin which was predicted to be 6 to 6.1 was running 5.9. I knew how many hours I needed the railroad running to get our margin back and I knew it Saturday morning. The month was not over, but we had already

decided from a first month standpoint, such things as: Could we live with 5.9? What did it mean? Was it due to a high margin product that was not shipped? Was it due to a margin erosion that we had not thought about? Publicly, what would financial people think about these results? We had dealt with all those problems by the 29th of the month. Most companies would not get to these problems until the 25th of the following month.

MIS QUARTERLY: Do you see any change evolving in the quality or the type of information provided to people at your level over the next few years?

MR. MITCHELL: One of the things that we have done which is not purely within the scope of an information system is put all our managers through school — everyone of them goes to school. Over half of our first line management is attending school. Our foremen on the floor can now calculate a burden, a cost, and tell us what their return on assets or their return on investment is. If we have 4400 management people and 3000 of them have this common understanding, then our communication is much more efficient because they know what they are talking about. In most companies only a few people know what they are talking about, and those few are trying to glean information from people who do not know what is wanted. We took the opposite view and decided that we had to get everyone to be financially conversant. If we ask an employee what is a return on investment, he or she ought to know what it is. That is a basic request. We get all employees talking the same language and we accelerate the communication process and the quality of communication. Then we turn to the information system.

MR. GUSTAFSON: As I look into the future, the one advantage we have is that we are a multi-national company. By being a multi-national company, we currently operate in 23-24 countries of the world. Those countries are in the various stages of economic development. We can see our past in those that are developing. We see all stages of economic development and the pieces of information

that are important for those particular countries. For example, we operate in Brazil which has had fantastic inflation rates for quite a few years. The secret of success in our kind of business is rapid correction or adjustment to something that is happening, whether it be cost or the identification of a trend. We can say, how does this apply to our particular business and how does it apply today? Inflation obviously is a big concern. As we look forward, the amount of time for reaction is shortened by inflation. In the sixties when inflation ran between 1% and 2%, who cared? We knew basically what our cost was going to be and we had just small adjustments to make; we did not need to consider rapid reaction time. The higher the inflation rate, the greater the need for immediate information and the less time available in which to react. Reducing reaction time in the future is going to be vital. That's why our daily/hourly kind of information is effective. This information we will not get off the Balance Sheet or P&L Statement at the end of the month.

MIS QUARTERLY: Since your source of information is not being produced by computers, describe your primary sources of useful information.

MR. MITCHELL: Every office in this wing has a closed circuit television set from which we obtain useful information.

MIS QUARTERLY: Is that from the control room?

MR. MITCHELL: Yes. Two types of information are input into the television: corporate and operational information. The corporate information comes from the VP and is financial in nature.

MR. GUSTAFSON: Besides finance, we have information needs for Government Relations and Public Relations side of the business. However, finance occupies a big part of the information function.

MIS QUARTERLY: What you do is run the place?

MR. GUSTAFSON: Sometimes. Other times it just runs itself — better when I'm away.

MR. MITCHELL: The second type of information that we use is operating information. (I'll speak from the operating side and Stan from the corporate side.) On the operating side all of the controllers work directly for the divisions. There's no direct line organization that brings controllers to corporate. They all work for the profit center, the division, the marketing group, or whatever. They communicate daily to this controller's office which is a huge organization. The controller, a trainee, an assistant, and a secretary comprise this office. This is the controller's whole organization. He is charged with feeling the pulse of the company. Every day there is a pulse that's beating out there. His problem is to communicate to us and to train the junior controller. The divisional controllers call in when there is a variation from expectations. For example, the Axle Division knows on a daily basis that they must ship 18,000 axles. They know within thirty minutes on a particular morning whether they ship 16,000 or 20,000 axles. The call will come in telling us that the shipment was supposed to be 18,000 yesterday but instead it was about 16,300, indicating sales to be trending off 2%.

MIS QUARTERLY: If someone has information that he thinks is important, he goes into this control room, writes it down with a grease pencil, and then pushes a button which flashes lights on throughout the executive wing?

MR. MITCHELL: Yes, and it makes a noise which alerts us that the new information is on the screen. If that light goes on, it is the first clue that we have a situation to consider immediately. Most of these situations arise in the three major areas we serve: sales, profits, and inventory.

MIS QUARTERLY: Do you get this information on an hourly basis?

MR. MITCHELL: We have it anytime there is a change. It could be on a minute basis. The circle indicates what is the most recent change so that when a situation occurs we'll know what to be looking for.

MIS QUARTERLY: In effect, you have people telephoning in from all over the world and if

there are any changes or variances, however slight, if they are meaningful they are immediately put on the closed circuit television. Anyone has the authorization to do that.

MR. GUSTAFSON: There's an important feature here. Once a variance occurs, the obvious next question is an evaluation of the accuracy of these reports. If we pick up the telephone and reprimand someone for relaying incorrect information, we know that all subsequent calls are going to be filtered. We are going to lose our information sources. The fact is, we do nothing as a result of a communication except to record the information. If it looks serious enough, we go into our own councils. If we use the information to castigate someone, we are in trouble.

MR. MITCHELL: The minute we criticize somebody, the less information we get. We are not accusing them, we just want to know what is going on.

MIS QUARTERLY: This next question relates to your planning function. Because information services impact every area of the corporation, are the people in charge of this activity represented in the planning process from the beginning or are they the recipients of the plan at the end?

MR. MITCHELL: Again dealing with the outlying operations and how they relate to corporate, which is mostly a performance relationship, we have what we call a "hell week." Each of the divisions comes in and gives us their one-year and two-year forecast of sales, profits, inventory, and capital. They also give us a five-year picture. All of this is put together to form the plan of the company. Next, the controller fills this in. He shows in September that this operation changed their forecast when they called in and said that they were going to sell 7.9 million, making a \$360,000 profit, a 4.6% margin, with inventory at \$12 million. Now at "hell week" they also told him what they would do in September. We just take the new figure that they call in. All the first forecast does is give us an idea of how much they know about their business. That's something we want to know at the beginning: how good are they at forecasting?

From that forecast, they accumulate this total of \$223 million at 6.1%, the gross inventory, and the number of days. If he says vehicular is trending off, and I want to know which vehicular, he can explain that it's the frame operations. But if I want to know what the frame operations are talking about, I can go back to this channel and see what the total operation said they would do. I can then see, based upon their estimate, if they are trending below what they forecasted in "hell week" or if they are in line with what they projected in "hell week."

MIS QUARTERLY: You obviously know how to use your internal communication device. Does everybody in the Executive Suite who has one of the closed circuit televisions know how to handle it as easily as you do?

MR. MITCHELL: Oh, yes. We have differences of opinion on this, but I think we have a never-ending problem of putting too much information on it. We need to strip it down to the meaningful information. Everyone thinks his information is important.

MIS QUARTERLY: Then you don't really have an information function the way it's normally thought of in most corporations.

MR. GUSTAFSON: No, ours is stratified. The reason an executive is able to push that channel and very quickly locate specific information is because he knows that that is his channel. That's the information he's most interested in. For example, I might go over to this particular channel because I want to find out what the performance of our savings and investment plan is, how outside managers are doing, what they are doing with our pension monies, and how they are managing their pension funds.

MIS QUARTERLY: So essentially each of you needs to know about only a few special channels.

MR. GUSTAFSON: In effect, that's right. Everybody has his own information. The corporation works more as a bank than any other function.

MIS QUARTERLY: Do you have a lead information executive like a Director of Information Services?

MR. MITCHELL: No; I knew you'd come to that eventually. We were hoping you'd ask. No, we don't have such an executive in this company.

MIS QUARTERLY: Do you have a relatively good feel of the special or incremental benefits that your company gets from the fact that you may have superior information?

MR. MITCHELL: Yes, I think both of us can speak for that. I would say that seven or eight years ago we were competing with some pretty tough companies like TRW, Eaton, and Borg-Warner. All of these companies are pretty well-known. We were thought of by our customers to be ranked somewhere down at seventh or eighth place out of about nine firms in terms of our general management ability to deliver the product, maintain its quality, and know where it is. Today within our peer group I hear it repeatedly that we're ranked number one. Quite often our customers will call and ask us what is going on. They want to know what is going on in the industry — where is it going? What's happening to the heavy truck market? Why are my service part sales down? They know that generally we know better than anyone else what's going on. They respect our management ability. We have the best record of delivery in a tough industry. Uniquely enough, we have been able to look after our capacities and maintain our quality.

MIS QUARTERLY: So information has been of tremendous benefit to you in all of these areas?

MR. MITCHELL: Yes, in *all* areas. Most of our customers respect us as being a well-managed company in all of the important areas. We have an entirely different involvement with banks and the financial community because of our new image.

MR. GUSTAFSON: I think probably the best testimonial to our information screening, access, and ability to rapidly adjust came back in the 1974-75 recession period. In an

industry that is normally called cyclical, that period would have been a down cycle by any stretch of the imagination. We were in the worst recession since the depression. Despite this, our sales and profits went up compared to others. The only possible reason for that was the ability of our people to react faster than our competitors. We use the old cliché around here that there are three different kinds of people: those who make things happen, those to whom things happen, and those who wake up some morning and ask what happened! In our particular case, we like to be in that first category along with others who make things happen. We're the masters of our destiny! If we can know fast enough, we have all sorts of faith in our peoples' ability to react. The biggest problem is *not* knowing that there's a problem or that there is a problem in the making. We don't need any information system to tell us what the big problems are. If one of our plants blows up or a country goes to war, everyone knows that. The only thing we really use an information system for must be the small things. It's those little things that collectively create a bad trend. If we can identify the trend quickly enough, then we can get all of our forces working on it. Once we get them working on it, it's an easy matter.

MIS QUARTERLY: Does information have an impact on non-trivial functions such as the quality of your product, the pricing of your product, or the delivery of your product?

MR. MITCHELL: Sure, a very basic one. Consider the problems that people in our industry are having with inflation. Let's say we've been battling with a form of price controls or customers lack of acceptance of a price increase. Those are very important issues. Assume a salesman for one of our divisions or a sales manager or a general manager walks out of a customer's office, phones his controller and says, "The price increase we were talking about we just got — it's 4.3. The effective date was not the fifteenth, but the first; it was not February, it was January." He's a little conservative and you might think that's the end of it, but it isn't. That controller calls another controller, who calls nine other controllers in other divisions

all over this country and says the price increase is 4.3, not 4. Immediately there are eight divisions that are adjusting pricing strategy.

MIS QUARTERLY: That's assuming that the 4.3 will swing?

MR. MITCHELL: Yes.

MIS QUARTERLY: Would he also call back and say that he tried to get 4.3 and the position became so vicious, the increase should be changed to 3.9?

MR. MITCHELL: To adjust the strategy and go with 3.9, the controller at corporate calls all the divisional controllers and explains one division can't move the 4.3, and is going to 3.9. We have to take .4 off, and this is tough. Perhaps we do not have price elasticity when this happens. We start taking in our horns. One of the immediate things the other eight controllers start doing is telling the general manager that if the increase isn't going to be 4.3 and it's 3.9, they'd better not pave the parking lot in the next six months, but hold off for the seventh month. These little things snowball along. On one sheet we see, "in banks: 4.1." That means that in the banks today, his people have \$4 million and we will sell \$233 million this month. We're carrying \$500 million worth of inventory.

MR. GUSTAFSON: That means we're moving roughly \$20 million worth of cost through a day.

MR. MITCHELL: \$20 million and we have \$4 million in the bank. Now most companies will carry, in that area, 3 or 4 days. So that would be \$60 million. We're carrying \$4 million.

MIS QUARTERLY: And all of the rest of it is working somewhere?

MR. MITCHELL: It's all working somewhere or we don't need it. We're not paying interest on it or we're laying it out in short paper, making interest on it. But on that \$4 million, if an unforeseen event occurs, although we don't have many of those, and the controller had to make a payment of \$15 million but does not want to disrupt the cash position, he

can call fifteen controllers within 1½ hours and tell them to drag their feet for 3 hours and we have \$15 million. Slam the door until tomorrow morning and we'll talk to you again. We can do that any time of the month, any hour of the day. A company can't be run on that amount of money, normally.

MIS QUARTERLY: Because I have the distinct feeling that most other companies don't have hourly controls and hourly information like this, what do they do?

MR. MITCHELL: Most other companies do what we used to do. We used to say that because of the fluctuations of unforeseen events, inventory riding up and down and bills that we've paid that we didn't expect, we had to have a minimum in the bank of 12 hours depending on the type of business. Most companies would have a float of \$25-\$50 million. Dana has \$4 million. This is one reason we're able to get an AA credit rating. It means that we are at the trough less.

MIS QUARTERLY: Your AA means that it costs you less to borrow when you hit the market?

MR. MITCHELL: Yes, that's very important.

MIS QUARTERLY: Well yes. That's reflected on your bottom line. You have shown this to senior executives of a couple hundred companies. This technique obviously is very effective for you in identifying your information needs and determining what resources you need to meet them. Why do you think no one else is using it? It seems so incredibly simple and effective. How do other CEO's react to this?

MR. MITCHELL: I think it goes back to the first part of this interview. We did not get to where we are easily. If we walk through our offices and listen to how much we talk about money, there is a decided difference between our firm and others. Let me explain. Company A makes coffee cups; everybody knows about coffee cups, about the market, how to make the kilns, how to make the cups, and everything else. The whole company revolves around the fact that that's what they do. In Company A the financial people are a service.

In our company, we are all money managers and we really don't care if we make coffee cups or ashtrays or axles or frames or electric circuits or pumps. We have market plans and product plans because we have defined areas in which we wish to go. We're not just a conglomerate randomly proceeding in many different directions.

MIS QUARTERLY: Do you have a planning function or a planning department? And if so, to whom does it report?

MR. MITCHELL: Yes, it reports directly to the Chairman. It works for everyone. We have indistinct lines. I would say the major difference is that in our company we must know the products and the markets and know the direction that we wish to go. Again, the bottom line is the ability to talk the numbers game, to understand it, and to handle it. I think that this is what hurts most other companies. When they try to look at our system, they just can't comprehend how we would get 4,400 management people in the Dana Corporation conversant enough to make such a system function.

MIS QUARTERLY: Incidentally, you say 4,400, but I understand that here at the Corporate office you have a very lean staff — a couple of hundred.

MR. MITCHELL: I think that if you include our test drivers at the test track, our 17 pilots, 8 mechanics, and the Chairman of the Board, we have 230 as our total corporate staff. Back, six or seven years ago, when we moved into this building and started moving in this area, the corporate group numbered 375. We had half the size of the airforce and half the people out at our test facility and did under a billion in sales. Now we have twice the airforce and twice the size of the test facility in the R&D. So we have reduced the corporate staff by a third while we've tripled or quadrupled the size of the company.

MIS QUARTERLY: If you were looking for someone to serve as your head information services executive, what characteristics would you seek?

MR. MITCHELL: A head teacher or a head faculty member.

MIS QUARTERLY: What type of background does this person need? Should this person be someone from a university, from a graduate school of business, or from business?

MR. MITCHELL: The head Manager for training came out of our axle plant where he worked as a scheduler and a line foreman, then was made a general manager and from there into our school. Those are not, of course, all of the positions he went through on the way to his present position. As our head trainer, he works for the Board of Regents comprised of the top managers from all our divisions and a couple of corporate people. The Board decides what needs to be taught and the head of the school decides how to teach it.

MIS QUARTERLY: What do you spend on information resources within this corporation?

MR. MITCHELL: Very little! Since this building has been here, the total accrued costs of the systems are way under \$100,000. This does not include the televisions we installed with the initial building costs.

MR. GUSTAFSON: The day we put this system in, we eliminated four positions on the controller's staff whose jobs basically were to give us paper work. There's only one way to get a P&L and a balance sheet in this company and that's to be a shareholder. We print them in our annual report. Otherwise we just don't need them. Most people don't have number acuity; numbers scare them. Why serve them up with a whole ream of paper, which is what we were doing? Besides that, we were giving them numbers, rather than interpreting the numbers and giving them the summary information.

MIS QUARTERLY: In effect you have no information services function in the form most companies think of it. Therefore, your expenditures in the area of information services are simply the cost of running these closed circuit televisions in the various information control rooms?

MR. MITCHELL: Yes.

MIS QUARTERLY: One of the questions I traditionally ask in these interviews is about the Chart or Information Room concept. For all practical purposes, you have this. Do you use any computers?

MR. GUSTAFSON: We have some divisions that use them for inventory records. The computer is a great library; that's what it's good for. We don't believe computers are useful as management information systems, by the way. It's only good as a library resource.

MR. MITCHELL: Definitely — they're not fast enough.

MIS QUARTERLY: Your telephone is faster?

MR. GUSTAFSON: How do you measure what is faster? I can read an expression from you, I can get an inflection out of your voice. All the computer does is print words or numbers. Anything that simply prints words or numbers is nothing more than an extension of a book or a piece of paper. People give you a sense, a feel, a depth, or perhaps a surface tension.

MIS QUARTERLY: How do you pass information from division to division?

MR. GUSTAFSON: In some locations we have facsimile machines. But they don't serve the function that you are talking about. We may have someone sending a facsimile of an order, but that kind of information is not management information. We have a world-wide group using teletype. One of the key advantages can be seen in the finance section. While the rest of the world sleeps, someone in Dana Corporation is awake 24 hours a day, because we're spread throughout the world. Our people in Europe have already been working for five hours, when we come to work at 8:00 am. If something happened to the price of gold or to our facilities we already know about the event by teletype. The teletype is working continuously. At Dana Corporation management information systems don't just serve management beginning

at 8:00 a.m. and stopping at 4:30. It's a continuous service!

MR. MITCHELL: The most important thing is to have everyone know what it is we want to know and then only transmit the critical information. We don't waste time telling people what we already know.

MIS QUARTERLY: Are you an advocate of the concept of management by exception?

MR. MITCHELL: Absolutely. I haven't got time to look at everything. If business operations are progressing as planned, I don't need a report. What most people seem to do is look at the operations that are going well, anticipate that their sales are going to be at a record this month, and then follow the sales every hour to see if it happens. Once we know that we are going to set a record, we move on to the next project or plan. Such a report is only important if we don't make the record.

MR. GUSTAFSON: Our management philosophy is largely responsible for our approach to the information function. We may be different, but we're not unique. We face exactly the same problems everyone else does. We face inflation, government regulation, productivity problems, and a host of other problems, not only from a domestic perspective, but internationally as well. Our problems are exactly the same. All we have, in effect, is a group of people who have different approaches to solving similar problems.

MIS QUARTERLY: It is Dana Corporation's management style that makes it different from any corporation I've seen.

MR. MITCHELL: The management style of a company is set by its top management group. A business has several people at the top who determine the style. This is true unless the company is so old and so mired in its ways, that it gets in a rut. When a person gets to the top of the company and becomes the Chief Executive Officer, Chief Operating Officer, or the Vice President of Finance, he assumes a controlling position. At this stage things happen to him. Perhaps he has an inventory writeoff, someone steals a million dollars — any one of a number of things can happen to

him. Every time a crisis occurs, the normal reaction is to protect one's self. The most expedient method to establish protection is to write a procedure to make certain that particular event doesn't happen again.

MIS QUARTERLY: I hear you have a gigantic procedures book. Is it really a one-page Corporate Procedures Manual?

MR. MITCHELL: Yes, a one-page manual. Our style of management requires that we be neither protective nor defensive in the treatment of our employees. We need to trust our people under us. That's why we say we don't blame *someone* when events don't meet our expectations. What we're trying to do is exercise a very aggressive style of management. Our approach will defend us and protect us. The best protection is to manage a company that performs, not one that writes a myriad of procedures, policies, and levels of acceptance. We believe that we have good managers. We believe that they will run the company efficiently. We believe that we *don't* have to protect ourselves against all those events. Everyday in this company, someone who has been hurt wants to put in a protective mechanism. We don't really need that. If an employee makes a mistake, we all understand; we'll go on. Everyone makes a mistake once in a while, we don't worry about it. Everything will come out all right as long as we have superior management.

MIS QUARTERLY: How many mistakes do you permit one person to make?

MR. MITCHELL: We have not fired an executive in the last seven years. We don't believe in it. Everyone takes risks together.

MIS QUARTERLY: Have you ever had an executive that just wasn't producing?

MR. MITCHELL: Yes, sir.

MIS QUARTERLY: What happens in such a situation?

MR. MITCHELL: We never change his title to hurt him emotionally with respect to his family or the community. We never hurt him

financially. We do hurt him inside somewhere when we move him to another job. Generally, somewhere between 1½ to 3 years later, he will find another niche and do a fine job for us. By not blasting him out of the saddle, we feel confident that it is worth the risk. We believe that, and it works for us.

MR. GUSTAFSON: It's the Peter Principle in reverse.

MIS QUARTERLY: If it works, that's what counts. I'm intrigued by this. I never knew there was a company this size that had such benevolent attitudes. Who was the architect of this whole thing? Is this something that just evolved or was it one person's idea?

MR. MITCHELL: No. The Dana Corporation was tracking very rapidly towards a highly centralized, controlled company with a massive set of procedures books. We were doing fairly well, but still struggling. We didn't like it. About ten years ago, two of us got into positions where we threw away the procedures. With the placing of Stan as controller in 1968 we started to revise the structure.

MIS QUARTERLY: Who's your public accounting firm?

MR. GUSTAFSON: Price Waterhouse. They are quite pleased because we end up being very conservative. We've eliminated any reason for someone to accumulate inventory and not take his loss because he's afraid of getting fired. We can keep our inventories clean. We can keep assets that are worthless written off.

MR. MITCHELL: Our Canadian company which does a \$150 million in sales in three highly complex markets closed its books on the last day of August. At our board meeting at the end of September, we reviewed the final audited statements.

MIS QUARTERLY: They closed the books and you had everything cleared in one month?

MR. MITCHELL: By the 20th of September we had everything — final statements audited and approved by Price Waterhouse and

submitted to our board. In addition we were paid an individual visit by Price Waterhouse saying that ours is the finest operation that Price Waterhouse handles in Canada.

MR. GUSTAFSON: We actually end up with more control, not less control. That's something people have a lot of difficulty understanding. A lot of companies don't understand how to gain more control unless they do it by the book. Unless everyone has the same set of account numbers and the same everything, the information can't be called pure.

MIS QUARTERLY: Do you have common charts of accounts and ledger systems?

MR. GUSTAFSON: No. Every company that's profiting in the United States doesn't have the same system, so why should our divisions or subsidiaries?

MR. MITCHELL: As a matter of fact, we argue that there is merit in having as many different systems as we can handle. The one thing that we oppose vehemently is conformity. Conformity is to admit defeat.

MIS QUARTERLY: What do you see as the major business problems facing industry in the future?

MR. MITCHELL: As far as I'm concerned in the next 5-10 years we have many situations that impact industry, and the most important are those related to government — regulation, price controls, and distortions of the market. These can happen almost on an hourly basis. For these situations I feel we have to constantly fine tune our system so that our management can handle any unexpected event. It's just not good enough to say that something happened and that we didn't have control.

MIS QUARTERLY: How do you conform with government regulations without having all the paper work that they want?

MR. MITCHELL: Let me answer that with an example. EEOC is a pretty complex problem for most companies. Most big companies try to stay out of trouble by hiring a highly trained staff to deal with the government. Our

approach is to break up the staff into about 85 different components all over the country. We always have five or six of them in trouble, but no one can get the 85 altogether. We won't let them get it altogether. If we don't have a corporate staff that will pull it together, no one can get it together.

MIS QUARTERLY: Then how do you handle the EEOC reporting requirements?

MR. MITCHELL: Well, we just tell them to go talk to the people in Pottstown or Reading or Pueblo. We are wide open. We'll talk to anyone. We'll talk about EEOC in the corporate office. We have an affirmative action plan. But what about Pueblo? We don't know about Pueblo; they have to go ask Pueblo. The major problem that most companies have is their middle management. If a person were part of the middle management in Erisa, the most significant thing he can do toward job security is to develop his job. He is

the single, biggest risk to us. Is his natural proclivity toward job security? What we try to do is never let him get his hands on it to pull it together in a centrally organized, functional manner. It's precisely the bureaucratic problem the government has. That's why government won't work.

MIS QUARTERLY: It's interesting that there is total unanimity among executives that government regulation and control are their key problems. Do you see government regulation and government control as being major problems in your future?

MR. GUSTAFSON: Our market is predictable except for what the government will do. Government is the only function that's large enough to move the economy one direction or the other. It can literally shut down an industry. Yes, it will definitely be a problem in our future.