Oz Nelson: I would like to say hello to everybody, I am Oz Nelson. That’s a nickname but it’s the only name people know me by anymore so I’ve had to use it and have gotten used to it. I am Oz Nelson. I picked up that nickname in the fourth grade in Kokomo Indiana where I was raised. A friend of mine had a nickname for everybody, and I simply got the nickname Oz because of Ozzy Nelson and Harriet. At that time it was a very popular radio show. He was a band leader too of course some people may remember his sons Ricky and David, also Ricky who became a big rock star later on. I simply got Oz because there was a popular Oz Nelson out there and have never been able to shake it, which is fine with me. It does get confusing over my career from time to time because some publications print my real name which is Kent, and someone might call me or write me and say, by the way Kent would you make sure Oz knows about this, so there is a little confusion about it, but people who know me don’t really think of Kent they think of Oz. That’s the way I go.

I said I was born in Kokomo. I loved the small town, about 45,000 people. I got involved in a lot of things. I had a mother who was very, very active she set great examples for me in such things as volunteerism, the arts. She was a volunteer herself. She ran our Cub Scout den and she was chairman and president of the PTA and did a lot of those kinds of things, and got me involved in music. I got myself involved in sports. My father also loved those. I played every sport they let me play there in Kokomo. I had a great time growing up there, great friends there. We are still friends, we are still close. We’re past our 50th anniversary of graduating from the high school but we still get together about every other year and have a golf outing with my friends. I will be going out there next week for that same thing in fact.

I have a great relationship with Kokomo. In Kokomo I went to Ball State University Muncie Indiana. When I went there it was called Ball State Teachers College, although I was a business major. It’s not Ball State University. When I went there they had about 3,800 students, they now have 20,000 so it’s changed a little bit. I keep going back there too, and I am very active at Ball State and serve on the foundation board. I have run in their second consecutive capital campaign and having a great time working with old friends and meeting new friends at Ball State. I have also kept that interesting variety of things that I think my mother encouraged. Music is an interest to me. I played the drums through high school and college and made a little money in college playing in various musical groups. It gave me I think another venue to express my interest. I also think that it’s been good for my thinking ability because arts and music and reading and sports, all those things together I think broaden you and give you experiences that are good for you.

That’s how I started and ended up in Ball State because it’s close by, 50 miles from Kokomo and [inaudible 00:03:29] I thought that I would feel out of place there. When I got ready to graduate from ball state after a great four year experience, not so much in scholarship but more so in social and volunteerism. I was involved in everything there. I ran the campus chess campaign for united [inaudible 00:03:50] fundraising when I was in Ball State. I was an officer in the fraternity house, we bought a house while I was there and we came back in the summer and refurbished in and built it so we could move into it. I had a lot of experiences doing those kinds of things.

I was a business major and as I got close to graduation the phone rang, the pay phone rang at our fraternity house, one afternoon and it was one of my graduated fraternity brothers. He said, “Oz do you have a job yet?” I said “No, I had a couple of interviews but nothing that’s worked out yet. Why?” he said, “Well, I am working for United Parcel Service”, which was a new company in Indiana at that time, they had been there about a year and a half. I knew two of my fraternity brothers were working there and they told me a little bit about the company and it impressed me very much what they had to say. The first one said, “They hired me right out of college and we had a court hearing trying to get authority to start operations in Indiana and it was delayed and it had to be appealed. They sent me home and paid me for eight months till they got the appeal fixed and then they brought me in.”

Brand new employee, I said, “Well, that’s an unusual company would do something like that” I was impressed. I mentioned UPS to my father, I said, “What do you know about them?” he ran a local factory, [inaudible00:05:05] glass factory in Kokomo, about 250 employees he said, I don’t know much about them except now in the last year they started delivering packages to us out of Chicago mostly. They are so fast.” He said “They get here quickly. They always get here the next morning. The driver is the hardest working guy I’ve ever seen in my life. How do they get him to work like that?” He had a very impressive reaction to UPS too. I graduated from college and went down for my interview the day after I graduated, Indianapolis Indiana, sat down with a gentleman and he said, “I understand you know Lou Kessler and Charlie Arch” who were my two fraternity brothers working there. I said, “Yes I do, they are fraternity brothers of mine and good friends.” He said, “If you are half the man they are we want you, you are hired.”

I sat there for a minute thinking, shouldn’t he be asking more questions, but he didn’t. That’s what he cared about, the word of these two other people. I said, “Okay I will take it.” I didn’t even know what the salary was. It was the first job I had been offered, so I took it. I knew in the back of my mind frankly that I had to go in service and I was about to be drafted or sign up to go, one or the other. I figured I won’t be there very long and I will get a chance to do the job and see what I think of the company and then if it works out when I come out of the service I will go back to them. From the first day I was hired I loved that company. I didn’t have an experience other than working in factories and construction work in summers and things like that. I didn’t have a real frame of reference but I knew they were different.

I knew they were different because of some policies that were taught to me from day one going forward that really impressed me. For example, they had executives, they had titles, never used them within the organization. The only way you talked to anybody in that organization was by first name, from CEO down to the janitor or anybody else in the company, whatever your job was doing. It was a very informal and friendly thing. Secondly I was told, you’ve got a boss, you should respect your boss. He will give you all the help you needed and will train you, but if for any reason you have anything you need to do to get something done faster you have to go up the chain. Don’t worry about the chain of command, you go to where you have to get the job done and get it done. And I said, “Gee that’s pretty democratic, it’s a little unusual I think”. I was impressed by that

Then on the other things, the trucks, we called them package cars, the trucks that our drivers drove were washed every single day, every one, every day. Spit and polished clean. The driver was assigned the same vehicle every day so he or she would take better care of it, because they took it as their own. I thought that was pretty good. They also explained to me the promotion from within, that UPS is a growing company, we are growing at a clip of about 20% every year now. We’ve got lots of opportunities for promotion for people and we are not going to go outside and interview people and bring them and give them those jobs, we are going to promote from within. That’s all the way through the organization in all the jobs. It would be a real rarity for UPS to go outside and hire somebody at any other level. I thought, that tells me there is opportunity here, there is growth here. I like the people.

I remember my training week, one thing I had to do the third night I was there was unload a package car that came in with picked up packages and weigh them and check them to make sure the billing is right and they were addressed properly and packaged [inaudible00:08:46]. I came into the office and the district manager saw me coming in. He had hundreds of people working for him, and he said “Oz what are you doing today?” I said, “Well, I just finished up some orientation work today, I am going to check a package car tonight.” He said, “Great, when are you going to do it?” I said, “About half an hour” he says “I will meet you there.” He took off his coat, came down and helped me do it. I was about four levels of five levels below him. It was … by then it was three at night, you’d think he would go home for dinner or something, no it was more important to get to know me. It was important for him to get to know me. I was very impressed with that. I will never forget that as long as I live.

It was something else that told me this was an unusual organization. I could go on to other policies that make UPS unique. For example, we don’t hire relatives. It’s the most controversial policy at UPS. When we periodically review all our policies and give every employee in the world to comment on them, that’s the one that gets the most comments. A lot of people like it, some people don’t like it. They say, “Why can’t I get my son a job at the summer, you guys get great rates, there’s benefits and you need people.” We said, we don’t want the perception of favoritism within the organization. We want to promote people, if you are going to promote within it better be from merit. The whole organization has to see that you are promoting the best people not just people because they are the son, father or nephew or niece of some employee of some executive high up in the organization.

The more we thought about it and the more I thought about it I said, there are thousands of companies out here that my kids can work at. They don’t have to come and work for UPS, it would be nice if they did for summer because I love the company so much, but on the other hand I want the respect of the organization. I want everybody to feel fairly treated and have the same opportunity to be advanced. All that fit in and it clicked with me. I could go on to others. The company at that time was owned by its employees, its managers. Although we have gone public, since and after I left they went public, but still you will find at UPS a huge amount of the stock is still owned by managers, supervisors, hourly employees of United Parcel Service. They believe in the company. Their life investments are in it, or a good share of them, and they are taking good care of it because they want it to do well.

It was that kind of atmosphere I saw, and as I started making sales calls, my first job was a sales and customer service representative. UPS wasn’t known very much in Indiana at all. We were fairly new there, people were starting to receive packages very quickly from Chicago and places like that nearby and were impressed by it. When I would make a sales call and introduce myself and I would say I am Oz Nelson from UPS, I want to talk to you about your package shipments, they ushered us in just like that, large companies and small companies. It’s amazing to me the reception I a 21 year old kid was getting going in to make sales calls. I loved to talk about UPS and all this training. They trained me and taught me a very nice simple sales presentation, which I can give in two seconds now even, to tell you it’s just pretty simple. Of course being new and unexperienced I embellished it and found myself doing okay in sales but it kept getting longer and longer and longer. I learned more and wanted to tell them about it and I think it got in the way of being as effective as I could be but I didn’t realize it. I didn’t have experience.

Then one day I got a call and they asked me if I would train a new sales person. I said, sure I would be glad to. It would be fun. I went home and got thinking about it and said, they taught me this sales presentation I’ve kind of strayed from it, maybe I better get back on it because I’ve got to train somebody I’ve got to train them the right way. I went back to that sales presentation and used it myself for a few days then I started training that person I taught it to them. I found out, boy this really works, this is better than what I was doing! It’s kind of interesting. The other thing I had a valuable lesson in training people and teaching people how to do their work.

The first few days I made a call with a sales person I’d make the sales presentation they would listen, then I would ask them join in if there was something you think would be a plus to talk about join in, feel free to do that and they would do a little bit of that. Then I would say, now I want you to make the presentation and I will listen in, I will join in if you need to. It sounded good but what would happen they would start the presentation and I would hear something just wasn’t the way it ought to be said and I would just jump right in, I would finish the presentation come out and tell them they did a good job, but I hadn’t let them do the job. It took me a while to understand that and learn that. I wasn’t training them, I was just taking over and they didn’t get the confidence. They didn’t get the confidence of going through the key steps and responding to them and closing the sale. In any kind of sales job the key is being able to close. Some people can’t do it.

I heard stories, I could tell stories about things you’re trying to do to try to get somebody to ask for the order, they would get right up there and then hover around. In my initial sales training myself I was taught by and expert, he was a terrific salesman. He sometimes didn’t let the truth get in the way of an impressive story though, but I thought everything he was saying was true. It took me a little while … he didn’t last incidentally in our company, for that reason. He didn’t last, but he was a terrific salesman. I will never forget, we made a call on somebody and we told them that our service was fast and that our rates were lower and the free insurance up to 100 dollars. You don’t even have to sign a contract and we can start the driver in tomorrow and in fact if you’ve got packages we will take them with us today in the car, all that. If he seemed to hesitate a little bit he would say, let’s go back to your shipping department and see how the driver would make the arrangements to pick up the packages.

The prospect, all of a sudden their mind was shifted whether or not to use this to how do we use them. He would give them the book, here is the book you fill out and he would call the [inaudible00:15:30] where would you want to keep this book and who would fill that out, he got all this figured out and he never did close. He would turn and say, all right have your man here about four o’clock tomorrow afternoon, okay. We would walk out the door. It’s just amazing, I learnt a lot from those experiences of how you can sell people, and it was easy because we didn’t have a contract. They didn’t like UPS for any reason, we didn’t want to be bound by contract users. We said, you can call us tomorrow [inaudible 00:15:56].

The one thing that was a stopper selling back then was we had a service charge of two dollars a week. It was hard to believe today, two dollars a week is a lot of money would stop people to pay to have a UPS driver to stop every day Monday through Friday to pick up your package. It was a lot of money to people then. I remember seeing some people, I would like to have every company in the State giving me two dollars a week, you get that every once in a while and then you would say, let’s stop and think about what you get for it. Do you take your packages to the post office? Do you pay somebody to drive the post office? Yes I do. You think that would cost you two dollars a week? More than that, either way deal with these things, but it was interesting. I loved the sales experience. I started out in a situation where I had to learn everything I could about the company and to be able to explain it to customers. I was voracious in reading and talking to people and the delivery experience was interesting too. My orientation I went out with drivers and delivered, I even helped wash trucks later on. I even had occasions where I sorted packages. There wasn’t any part of the job I didn’t get involved in, and I loved all of it.

I would start out in the morning and I would go to a UPS trucking center, we called them packing center, and I would start talking to drivers when they were loading their vehicles for deliveries. I would say, “Have you made deliveries to any place where you saw packages sitting around that might be shipment by parcel, post or railway express or any busing companies or any other competitors?” they would say, “Sure, yeah. I know so and so has got some packages.” I said, “Where are they located, who do you talk to there?” I got more leads and more sales from the drivers than any place else. The other thing I would get my car … I was working a section of Indiana, I would drive to the city the night before and I would get out the yellow pages and phone book and go over the yellow pages and get out a bunch of three by five cards and look at all the companies and businesses who I thought would ship packages. I would write down enough leads to make maybe 20 25 calls that next day. I would put them in what I called delivery area. I would knock out as many as I could.

I led the district in calls per day because I was organized and also led them in sales for that reason too. I figured, I don’t know whether I am a good salesman or not but I know this, I will get in front of more people and I will work as hard as anybody and if they’ve got packages sooner or later we will get them. I can tell you this story, there was a gentleman that had an office supply company in Lafayette Indiana. I drove to Lafayette once a week and made sales calls there. I was … I was just about done everywhere, he was the one person that had just enough packages that he should be using us and I couldn’t sell him. I kept going, but once a week I would stop in and see him. We got to be friends and he said, I am not quite ready yet but thanks for stopping in. Eventually I sold him, went away to the service. I was in for six months, came back I was transferred to South Bend.

I went to a business in Gary Indiana, which was also in my area, walked in the door to make a sales call to an office supply place and here is this fellow from Lafayette standing there visiting with the manager. He saw me and he got laughing and we talked and reminisced just a little bit, we hadn’t seen each other for a while and he says, “I guess you are here to sell them on your services aren’t you?” and I said “Yes, just go ahead I want to hear this.” I made the sales pitch to him and it got all finished and I asked him, “Would it be okay if my driver started stopping in tomorrow?” And this fellow jumps in, “Bob let me tell you something about this fellow. If you don’t say yes today you’re going to get so damn tired of seeing him that sooner or later you are going to say yes and their service is great.” The guy took the service.

It was a great experience because the relationship just took along the way. What I loved about selling is maybe not so much selling but literally every company shipped packages. Your prospects were everywhere and you got in and learned the most interesting ways that people were making a living. Any place that people were manufacturing some little thing they shipped just to JC Penney’s, to their customers or people who did things I didn’t even know existed. It was very, very interesting work. It gave me I think a breadth of understanding of business that I hadn’t had before. I was fortunate enough to be promoted to higher levels within the organization mostly through sales and customer service with a few side trips, special assignments. I did a lot of witness gathering for the legal department, for getting the rights to operate in States around the country and would be away for two or three months working away on some of those things.

We would apply for rights to deliver for example in the State of Texas and we would send an army of 50 guys in there. We would gather witnesses for three months preparing them for the hearing. We would go for the hearing and public commission in that State would hear opposition, virtually every trucking company, anybody who was any kind of business that had to do with packages would protest us. It would be our lawyers and about anywhere from five to 50 lawyers from other companies against us. We were trying to prove a need for our service. It was an interesting experience, it helped me learn a lot about business and the way people thought about business. We had to earn every right we got back then. Incidentally after we went through this and spent millions of dollars and hundreds of millions of hours going through all these hearings one State at a time throughout the county the deregulation came.

The good thing is UPS is very conservative in their accounting. We didn’t put a nickel in the books for the value of those rights that we had. Almost every other organization did, we didn’t. We didn’t have a thing to write off, which was the plus of it, plus we were pushing for it because we thought it was the right thing to do. We were one of two transportation companies that I am aware of that were actually supporting congress in deregulating. The other people all had the rights they needed, everybody else would have to spend money and do a lot of work to try to get them so they though it was an advantage. We thought it was restrictive to business. We knew what we had had to go through and we didn’t think it was right. We didn’t think it served the purpose. We were supportive of the deregulation act when it came along.

That’s a little bit of the early UPS years. I became a sales supervisor in Indiana then the sales and service manager in Indiana, then I went to Chicago and was sales and service manager for the region, the mid-west region. I went back and took over … I complained too much about our Chicago operation and they put me in charge of the sales and service and retail operations in Chicago for a while, which was another good experience because I … I will get back to that in a little bit. UPS used to serve a lot of retail stores and that’s how we grew initially. It wasn’t until business changed that we went into the business we do now which is serving broad numbers of customers in wholesale and manufacturing. We were pretty much a retail delivery firm before that, and I learnt that business. We didn’t have it in Indianapolis so I had to learn that in Chicago.

It was more of a partnership, and I will tell you one story to give you an idea what that partnership was. You are working for major retail stores that shipped a huge amount of packages every day which we delivered. We traditionally lowered our cost and improved our service once they agreed to use our service because we were consolidating packages from lots of retail stores as opposed to each retail store having to keep their own separate fleet and not having the density of deliveries that we could get by consolidating. They watched cost, and we had a cost contract with the major ones. Each quarter we would come in and sit down and review our cost with them and would adjust the charges up or down going forward. We really couldn’t adjust them down backwards but it set up a new higher rate for going forward, but if we save money we gave them a check for it, that was the deal. It was tough business in the retail business. They are the toughest people you can ever work for, is the retail businesses.

I remember our president, who later became our president, was in Chicago and some years he came out with the comptometer. A comptometer as you recall was a finger addition and subtraction instrument that was much faster than using your pen and paper to add things and bill. He found out about this comptometer and he did a study and figured he could replace five billing people by buying a comptometer and put somebody on it. He went to the … it was a big expenditure back then, it was like 40 dollars for thing or 45 dollars. The retail store is worth every nickel. He had to go see them and get approval. He said I sat down and told this superintendent why I wanted it, how much it was going to cost, how many people it was going to replace. He took careful notes of the whole conversation and he said, “Are you finished?” “Yes.” “You go ahead and do that, I think that makes sense so you do It.” he said, I did it.

He said about six weeks later I got a call from this gentleman and he asked me to come in and see him. I came in to see him and he says, “What can I do for you?” and he says, “I just have one request.” I said “What’s that?” “I want the name of those four people that you took off the payroll.” That’s what I call a tough customer. He got it. That’s what we do. We are very, very close on cost ourselves because of that background of working with those people. We measured everything to the last inch of production. We measured cost down to a tenth of a cent and a tenth of a second and a tenth a meter I should say in measuring of production. We did everything we could to control cost and prove to ourselves and hold ourselves accountable for having high levels of productivity and being responsible.

We felt it was our … for a customer they deserve not only the service we promised then, they deserved it at a fair price. The fair price in our mind wasn’t how much we could get them to pay, it was the right price for the right level of costing and a reasonable level of profit, not the most profit we could make. That philosophy prevailed throughout my entire career at UPS. There were times we could have made a lot of money and didn’t. We didn’t cheat. We didn’t think we needed to. We thought we were just doing fine and it worked well for us I think.

I would like to talk a little bit about UPS history because it’s interesting and takes us down the road to understanding how UPS is run and why we think the way we think about the company. UPS was founded, believe it or not, in 1907. It was a long time ago, by a young 18 year old boy called Jim Casey. Jim Casey lived to be 95, he passed away in 1983. He was active with the company till about three years before his death. I knew him myself. I used to see him in the office every day when I was transferred to New York. I loved to talk with him. He was a hugely humble pleasant man who had no enemies anywhere. I don’t care if it’s from the teamsters to anybody else he was revered because he was a kind of a person who had absolutely no ego and loved what he was doing. His sole goal was to make things better for all of the employees and serve customers better.

UPS was his religion, it was his everything. He was an amazing man. Jim founded the company as a youngster. His father had died when he was young, his mother took [took in wash 00:28:36] to enable to feed and clothe he, his two brothers and his sister. Jim started a service, in fact they went just outside Las Vegas in a small town in Nevada and started a little delivery firm. His partner while making a delivery on a bicycle accidentally bumped into a local desperado who pulled out a gun and shot him dead. Jim upon that closed the business, went back to Seattle and started a company that became United Parcel Services. It was called American Messenger Company, what they did is they delivered whatever needed to be delivered in Seattle area.

It was back then gold rush days, they had folks who would be mining for gold in Alaska come down stay in the hotels in Seattle to recoup for a while before they go back up again. Although that wasn’t … most of our service they delivered, they used to call it rushing the growler. They delivered pitchers of beer to these guys staying, even marijuana to some hot heads I am told, whatever needed to be delivered, things from stores, but mostly they were delivering messages. For example, at that time I think there was like one telephone, they got the messages called in there and he would dispatch people to deliver the messages to people’s homes. If you had to have something picked up and delivered some place they would do it, occasional shipment from a retail store would be delivered to somebody. That’s how they started.

It was on foot, on bicycle, on trollies later on motorcycles. He merged with a motorcycle delivery firm, so he had motorcycles and them a Model T, I think in around 1913 was bought and outfitted and created into a truck. We have pictures of it with packages ties on the top of it, on the side of it, stuffed inside it, I mean they were going to get utilization out of it. That all was taking place in the early years, and after the first three years of operating that way they changed the name to Merchants Parcel Delivery because they obtained the deliveries of the three major department stores in Seattle. Bon Marche` was one of them for example.

They went to those three stores and said, you’re delivering this part of Seattle on Monday, this part Tuesday, this part Wednesday, this part Thursday and this part every other Friday. If you give us all your packages and we can get the packages from the other two stores we can deliver all those areas the next day. Imagine your service, your customers come and buy something today, they will be delivered to them tomorrow and we can lower your cost because of the density of the number of deliveries you will have, the fewer miles per delivery stop. We can lower your cost, speed up your service and encourage people to buy more from you. They agreed to that, and that’s what began the whole theory of consolidated delivery that actually operates UPS to this day. Its gathering lots of people’s shipments and experiencing the density of those shipments and being able to process them at low cost in a very high level.

That was successful. He moved down the coast to Oakland, and that’s when they first changed the name to United Parcel Service from Merchants Parcel Delivery and then LA, then San Francisco. We had all the major cities in the west coast. Jim Casey decided if this works here it ought to work everywhere. He sent out a bunch of letters to any kind of delivery service he could find and asked them how they did their business, trying to learn the best practices and he found out nobody really had expanded like we had, had really consolidated as well. They were kind of serving individual customers. He got on a train with a couple of his partners and he went to New York City. He contacted Macy’s, Gimbals and the major companies who had never heard of him and had never heard of United Parcel Services of course, told them what he could do for them and none of them believed him. He was puzzled.

Finally he sent a wire back to California, he said, could you go to the presidents of all the retail stores that we serve and ask them to tell them about our service and how we serve them. They sent those wires to the presidents of then Macy’s and Gimbals and they then called Jim in his hotel and asked him to come see them. That’s how we got in the door and soon we had an operation in New York, then we went on to Cincinnati and Milwaukee and Chicago and Detroit, in Boston in Miami and Philadelphia with pocket retail delivery operations. That started very well. We were growing pretty well. In 1929 we even actually started an air delivery operation. We have pictures in the files of Mary Pickford and I can’t think of the other famous mail act, [inaudible 00:34:15], anyway two favorite movie stars receiving packages delivered by UPS. It was way ahead of its time.

It lasted about a year and the depression hit. That caused that to get shut down temporarily for a few years. At the same time some bankers in New York were paying close attention to what UPS was doing, and said this has great promise. We would like to do some financing and in fact we would like to buy your company and we would like to expand it greatly and do a lot more things with it. Jim Casey and others thought that this is a terrific way to expand and create a lot more opportunity. They accepted a lot of money from the banks and the banks got a hold of UPS. Jim found he was no longer running the company, he was pretty much getting instructions. The depression hit the next year. He bought it back for way less than they paid him for it, and said that’s the last time any banker is going to ever going to get their hands on this company.

For the next 40, 50 years went debt free in operations, very conservative, very cost conscious, very careful with their spending. If they didn’t have the money for it they didn’t buy it. We bought all our trucks in cash, everything was done that way and it led to a very conservative balance sheet which was frankly a real strength for the company all those years. That didn’t get changed until I got my hands on the finances some years later and get weakened a little bit for a good reason I thought. In any of that we had all these retail operations in lots of the major areas of the county and World War two came. We had trouble getting fuel. We had trouble getting rubber for tires, lots of those problems. That was a struggle. We had a lot of our people in the service and it was a tough period but UPS kept doing okay all through it, just barely but they just got by all right.

At the end of World War two a terrible thing happened to UPS, somebody decided they were going to build a shopping center, and then another one, and then another one. Those people who used to go downtown and order something and say deliver it to my house because they didn’t want to carry it on a subway or in their car could now drive to a shopping center, park right next to the store, buy something take it back, put it in the trunk of the car and take it right home. Our business started dropping 10% a year. It was almost exactly that every year because more and more people were carrying things as more and more shopping centers were being built.

We looked around and said this doesn’t seem much for our future we’ve got to do something different. They looked at the post office who had been delivering parcel post since 1913; we started in 1907 incidentally before parcel post was even started. We looked at railway express and some other people who were moving a lot of packages but it wasn’t from retail stores. It was the manufacturers and wholesalers, a lot of other people too that we weren’t even talking to. We had had a small … except in California, southern California we had started a small, what we called then a wholesale business. We had a wholesaler who delivered in major cities and on major highways, and it was growing and doing pretty well. We decided that’s it, that’s the way we can build this business. We spent, from the late 40’s on through about 1975 go into the process of getting the rights to be able to do that, to deliver in all the States and serving wholesalers.

That’s why when I went to work for UPS in 1959 we had just gotten the rights to deliver within Indiana. We were delivering down from Chicago with interstate authority, but we didn’t have the intrastate authority. We got that and that’s when I got hired and we were going through that process in every State. It became a great tool for growth at UPS and it created the business we have now. Of course as we got the last State, just before we got the last ones, we said, what else are we going to do to grown the company, what else? We need to have promotions from within, we need to have potential growth, we need to have jobs for people. We want to offer more to our customers. The obvious answer to that was, let’s go to some other country.

We sent some few guys to Canada and four of us went to Germany. I was one of them. We went to West Germany then, and we were asked to decide whether or not UPS could start up an operation in West Germany, just intra within the company to start with. Would it be successful, is it going to be done? What the competition is like, labor rules, laws, we went through all that stuff. Remember, we are a company that when we go into a country competes majorly with the government run post office that has laws protecting them. It’s not as easy as you might think you will set up an operation. We moved into the McKinsey offices in Dusseldorf Germany and we worked out of their offices. They had some people to support us. I could speak maybe three or four words of German but I was taking [inaudible 00:40:06] classes in the mornings trying to get up to speed and trying to do marketing studies. I had never done a marketing study in my life now I was doing them in German.

I knew the business, I knew the sales, I knew what people wanted. McKinsey they didn’t know any of that stuff, but I did. They could structure me but I knew the right questions and the answers we wanted. I had learnt it, some partially, on the witness gathering work I had done getting witnesses to testify the need for our service in States. I had several years’ experience I didn’t realize I’d ever use in anything else. The first thing I told McKinsey I said give me a consultant, I am going to identify about 50 companies spread out around the country that should ship a lot of packages. We are going to see them and I am going to take them through a questionnaire that I am going to prepare. It had a lot of similarities to my witness sheets. By the time it was finished here is what I would know, first of all how many packages they have to ship, who they use, what they were paying. What service features they had and which ones were important to them, which ones weren’t. What did they want that they weren’t getting and here are these other competitors why aren’t you using them instead of this one you are using?

The time I came back I had a huge amount of information and it told me that we’ve got every chance of being successful there. We had another guy doing engineering, he was working in operations. I was also doing legal and I was doing translations and printing, things I didn’t know about but it was fun, interesting. We had another guy doing finance and another guy doing people things, the people laws and hire people, unions, how they work over there, this that and the other. We came back to [inaudible 00:42:02] after about three of four months of work and a management committee called them in, none of us were on the management committee at that time, we were about a level below it, and they said what do you think? We said, we would like to make a presentation. We took them through the competitive situation and all those issues and we concluded by saying we were pretty sure that UPS could start up a successful operation there. It would take a little while but it would be worth doing and that we saw no reason why we couldn’t go from there to certain other countries in Europe.

They asked us to go out in the hall. We went out in the hall for a few minutes and came back in, they said we accept your proposal. If you four are going to do it, start it in 60 days. We asked if we could go out in the hall. Went out to the hall came back in and refused, first time I refused anything I was asked in UPS, and said, we just can’t, its physically impossible. It can’t be done in 60 days, there is no way. We told them some of the reasons why. They asked us to go back out in the hall again, came back and I think they went to either 90 or 120 days and we refused again. We went through that whole process again and finally they called us in again and said, it’s going to start in nine months and that’s when it’s going to start and you are going to do it, and there’s no more out in the hall, give in to that choice and say okay.

We began [inaudible 00:43:26] trying to set up and start up an operation in West Germany. It was a challenge. We had our drivers, we had to build trucks for delivery. We had to translate 120 forms and things and procedures. They had to have to operate some minimum some minimum number I determined had to [inaudible 00:43:54] kind of depressed me it was that many, but that’s what it was. Just the complications were beyond belief. We got a lot of publicity nationally in Germany. There were cartoons and newspapers about a German post office truck with snails for wheels and a UPS package car blazing past it and it just incensed the postal employees. They started trying to pass laws and do things to try to block us, it was interesting.

We came to the day we had committed to start service and it was made very clear that we were going to start service, we didn’t have any trucks. We pulled them off the production line in the morning and dispatched them directly to customers to make pickups in areas we started first day and just barely made every pick up, in fact I made three of four in my car. We got them all picked up that day and from then on. We grew the business. It was as profitable as we thought it would be, in fact we lost a lot of money for a while but we got it going and it grew. We turned it profitable. The same thing was happening in Canada, only there was a lot of legal shenanigans were going on there, it was a challenge. It turned out we had a hearing in Canada to get the rights and we lost it. We found out the opponents lawyer wrote the decision.

We went back to them once we found that out and had another hearing, it cost us a whole lot of money, a whole lot of time and then we won it, but then they wouldn’t let us drive trucks. They wouldn’t give us the right to operate trucks. We went out and bought a bunch of taxi cabs, checkers, and delivered out of checker cabs for the first several months until we convinced them to let us use trucks. That was … governments don’t make it easy sometimes but anyway we went through that. It took us a while. I remember at our board meetings, one of our board members used to raise his hand kind of sheepishly and he says “Has the pain gone away on how tough this has been to consider any other countries yet?” and we all kind of lashed out “No”, but after a couple of years we went “Okay, now it’s time.”

We decided that we wanted to go to a number of places in Europe, which we did. Then we decided to blow it up and go everywhere we could go as fast as we could do it, and our thinking was this. That we could go from country to country and set up a small operation and grow it and not spend a lot of money in each country and not lose much money and turn them into profitable operations fairly quickly, or we could go virtually everywhere as fast as humanly possible, spend a lot of money and lose a lot of money but at the end of 10 years we’d have something. The other thing they’d be a very small player. Small player wasn’t what we had in mind. We said lets kick the doors down. Let’s go everywhere.

We found a number of UPS managers from around the country, most of whom had never been out of the country in their lives anywhere, and we brought them in and said you’ve got South Korea, you’ve got china. You’ve got japan. You’ve got this, that and the other, all these countries and said, here is what we want to do, we want you to get over there and find out as much as you can about transportation, competition, laws, operations, customers, and a lot of things, generally we shortened it and said go do that. Then we want you to come back with a recommendation, here are the attorneys in that country we want you to use, we researched every country to make sure we are doing everything legal, we do not have any problems there. I want you to either come back with a plan to start an operation, to set up an agency, to buy somebody that exists over there or anything else you can think of that makes sense and come back and make a recommendation to us of how we are going to get in there as fast as we can get in there. Tell us how long it’s going to take and what you need.

We sent them out there and it worked. They came back and we put this plan together and we said, okay we are going to do it, and of course people want to know what is it going to cost. Some people though hard on this, we are going to lose at least a billion dollars before we can turn this thing, at least a billion. That’s all I can tell you. I don’t know how fast we are going to turn it but I think we will lose a billion dollars by the time we get it turned. We blindly, American overconfidence set out after it. We were wildly successful on the losing part. In fact I tripled that number and lost probably three billion before we turned it, but it was worth it when we got it turned. We have a very successful and highly profitable international operation going back and forth between the United States and operations within countries. We are touching almost every country you can touch. There’s two or three we couldn’t be in, don’t want to be in, and it’s been a successful thing.

We are a very large country in the United States but now we’ve gotten 25% of our income from foreign operations which is quite a lot when you think we are doing 51 billion dollars’ worth of business now. Its grown to be a very big operation. That’s kind of how we got to that. Along the way we’ve changed the organization a little bit but not much. Its run by a management committee of about 13 people, each one has a specialty. Two or three operations people, air, human resources, engineering, legal all the various components are represented. That group of people they get together once a week for lunch on Mondays and quickly review what’s going on. I don’t know what they are still doing today on that, but we also had a four o’clock meeting in the afternoons for many years where we had all the national department managers get together and give about a three or four minute update on what was going on anywhere in their area of interest.

We would put that in print and send it out the following day to every operation in the world so that even Oz Nelson in Indiana in three or four days would read and know what was going on in the world. If a customer asked me a question while I was in Indiana about what we were doing some place I could blow their minds with what I knew. I was a voracious reader everybody couldn’t wait to see what else we were doing. Everybody read it, all printed on pink paper, read and destroy, you’re not allowed to keep them, just read and destroy. That’s what we did. It’s a great communication system. I have told a story about that because I knew what was going on in the company and I knew the policies of the company and I also knew this thing about go right to the person who can fix the problem if you had to, if not time to go through the chain of command, don’t worry about getting it done, get it fixed. I may have told this story before, I went to Sears in Chicago, their national regional offices were both there and the regional traffic manager said, “Could join my I’ve got a request from this vice president. I never met the man he said, but he is up there. He wants to talk to someone from UPS. Could you go with me to talk to him?” “Sure.”

We go up to see this gentleman and the guy introduces me to him and says, “Mr. Nelson I understand you work with our people here locally”, I said, “Yes I do.” He says, “I have a rather unusual request I would like to meet with your president about an important matter”, and I said, “If it’s important to you it’s important to me, when do you want to do it?” he looks at me and says maybe sometime next week. I said, “All right, can I use your phone?” I picked the phone and called the president. I said, “Hi, this is Oz Nelson”, he knew who I was. He met me he didn’t know me, he knew who I was and I said, “I am sitting here with so and so from Sears and he says he’s got an important matter to talk with UPS about. He would like to have a personal meeting with you and I wondered if you would fit something in the next few days”. He says, “Sure, what day does he want to come up?” I said, “What day do you want to come up?” He says “Wednesday.” He says, “Do you want to pick a time?” he says, “Two”. He says, “How about three o’clock Wednesday”, and the president says, “Sure Oz, I will see him, tell him to come on up.” Hung up and [inaudible 00:52:48].

That’s the way we operated. I walked down stairs and this traffic manager is, “My god! How did you do that? I couldn’t do that. I couldn’t even call this guy.” I said, “Well, it’s a different organization. You had a lot of years to build up that organization in a different way.” It gave us flexibility and confidence to get something done. It also made you think, no matter what level you were working at that if something really was wrong and needed to be fixed, you could get to the right person and get if fixed even if it was outside your area of responsibility. It made you feel you could have an influence and people would listen to you. Respect within an organization is a hallmark at UPS, respect of every job in the organization is a hallmark in UPS, and those go together. I think what builds that is promotion from within.

I like to tell folks that if you are a driver and your supervisor tells you, hey here is the way you ought to do this, it’s much faster it will work better the customers like it better, you are sitting there thinking my boss is giving me some advice here, and my boss ought to know. They’ve not only done this job, they’ve done it so well they got promoted. When this person says something to the boss, the boss is saying, this is a tough job I respect what it takes, dude I am going to listen to him. It works at every level whether it’s in engineering or human resources or automotive repair, any of those areas. That’s what you are dealing with, great deal of respect and cooperation, and it’s made UPS a very unusual company in my opinion.

When I was transferred to New York it was a pretty big change for me to come to New York. My responsibilities then were national and sales and customer service. Working with customers and the organization to take care of our customer’s requirements and really represent our customers to people in the organization too. One of the big thrills there was getting the chance to spend a little bit of time with our founder Jim Casey whom I had met and said hello to over the years a few times and maybe passed a couple of words too, but really had never had a chance to talk to. Once he saw me up there one day near his office and said, “Oz come in, I want to talk to you.” I was so thrilled and I came in and sat down with him and he just said, “Well, how are you doing, how do you like your job? Is the company doing all right by you, is there anything I can do to be helpful to you to help you be successful.” All the things he was concerned for me in the company, no concern at all for him or what his interests were. It’s pretty much the way that he conducted business.

Jim Casey is a man I had always admired much. He is a fellow who I never heard giving instruction to anybody. He was famous for not telling people what to do, but saying, “Joe, have you had a chance to think about such and such, do you think it needs attention?” and he would wait and see what you said. You would probably say, let me think he might be concerned about this or he wouldn’t be asking me about it, yeah I am a little concerned about it. What do you think the problems are? “We need to do this about that and get more people involved. He says who would be the best guy to do that do you think?” you talk your way through it, you would leave, all of a sudden you are enacting your own ideas, not what he wanted done, what you thought needed to be done.

He was smart enough to know that you are the guy that does this stuff, you’ve got to know how to do it. It was amazing to have that experience and seeing it done over and over again with so many people. I have heard him say so many times, when he was still alive, that “Oz can you imagine how lucky I am to have the opportunity to work with so many really wonderful people who have taught me so much and helped me grow so much in my understanding of people and how to get things done. It’s an experience that I wouldn’t have missed for anything in the world.” That’s humility and it’s the kind of thing that is not untypical of a lot of the folks at UPS who kind of are sitting there thinking, how did I get here? How lucky can you be to get this job because I never expected to have it? It’s the way I feel myself and it’s the way I felt at the time. If you scratched the back of the CEO at UPS right now, Scott Davis, he would give you the same reaction. I have never asked him that but I would bet on it.

That’s kind of the way we dealt with each other at UPS. When I was at the national office I soon got the chance to go on a special assignment to travel to Germany to help decide with the three other UPS managers whether or not UPS should have our first foreign operation. West Germany had been studied by some outside consultants and a couple of our executives and they thought that if we are going to do it that might be the best place to start. They had narrowed it down to I think France and Holland and West Germany. We went to West Germany never having the experience before, any of us, we had an operations man who was also an engineer. We had a financial man, who has also been a general operations manager. We had a human resources man and a legal person, and he did both. There were four of us.

We went to Germany and right away we rented a small … two apartments in the inner city, a working class area of Dusseldorf West Germany. We walked to work each day, it’s about a mile and a half there and back each day. Engrained ourselves in the neighborhood and got to know the people in the neighborhood. Only one of us spoke German, three of us were learning at the time and the fourth one just gave up and just did his work without it and imagined he could understand what people were saying at the time I think. We were able to get through all that. We came back and met with our management committee and we made a recommendation to them that UPS should start up an operation in West Germany. We thought it could be successful. We thought there were a lot of packages there. There is a fair amount of competition but no one quite like UPS. We thought we could build over a period of time a successful operation.

They asked to excuse ourselves from the meeting and the four of us left, then they brought us back in a few minutes later and said, we agree it’s the right thing to do, we are going to start an operation there and you four guys are going to do it and want it up in 60 days. We sat there stunned and we said, can we have a little recess, and we went out in the hall. Then we came back in and said it can’t be done, it’s impossible. We refused. First time anyone of the four of us had ever refused anything assigned to us at UPS I think, and they knew we meant it when we said that. They said why don’t you go back out in the hall for a while, we will talk a little bit. They sent us back, we came in and they said how about 120 days? We said no, it’s impossible to do it. We have to order trucks have them built and restart naming. A number of things would have to be done and we said we needed much more time than that, and they excused us again. We came back in and they gave us a date that was about nine months out and said that’s when you’re going to start it.

We understood then, we didn’t have the ability to go back and negotiate for more time, so we said okay. We set about it, and it wasn’t enough time, it was a scramble. I like to tell the story on the first day of operations in Germany we were committed to operate on this date. It was in the national newspapers in Germany and my favorite cartoon was a cartoon in their version of the Wall Street journal. It had a picture of a postal truck with snails for wheels and it had a picture of a UPS truck whizzing by it for our start up day and national TV. It was a big deal because it was inconceivable to the German people that a business would take on a government entity like the post office. It was just really big news there. The problem is we didn’t have all the equipment lined up. The trucks were being built and finished the day we started operations, the drivers we train we had to train without trucks. We didn’t have them. We took the drivers to the central point in West Germany where the trucks were being made, they pulled them right off the production line, went right out to various cities and parts of Germany where we started up and made pickups that afternoon. In fact I made the first pickup out of the back of a rented Avis car that I was driving.

We made every single pickup that day, got them all done but it was the longest day of my life. I assure you we weren’t sure we were going to be able to pull it off. It was a struggle in West Germany. We had a tough time and I took a while. We lost a fair amount of money in West Germany in the operations initially until we built it up, but we never wavered in our though that the packages are here we can offer better service than anybody else, and our efficiencies will give us the ability to charge competitive rates, and ultimately we are going to be the preferred carrier in West Germany. Slowly over a period of time with a lot of heartache and hard work that happened. That was a great outcome for us, and eventually it was that same thought, that same frame of mind that caused us to expand operations all through the world.

That itself is a story that is almost unbelievable. It was probably a little vain and presumptuous of us to think it could be done. We did spend a little time analyzing it and we said we had two ways to become a worldwide carrier. We could start a small operation here and grow it slowly and one here and grow it slowly and just start picking off the best countries, the most promising for us and after maybe 20 years we’d have a small operation in a few places. We could just literally kick the doors down and go everywhere and get it done the best way we could as fast as we could do it and then build as we learned locally in each of the countries. We decided to do the latter.

We pulled in a group of UPS employees, lifelong employees, who had worked their way up to various positions in our company and said to each one of them, you’re going to have a country. We are going to send you to that country and here is what you are going to do to help us decide how to get in business there. You are going to go and talk to all the major customers, the shippers, and find out who they use and why they use it. What they like about the services they have and what they don’t like and what they are willing to pay and all that. You are going to talk to talk to some of the leading carriers to see if there is one there you might want to think about an initial partnership with and the way to get into business. You are going to talk to the local attorneys and find out here is the way we normally do things, do they fit with the laws of the country, are there things we need to change and then come back and tell us whether we should start our own small operation. Whether we should make a partnership with someone we might eventually buy or whether we should find a larger carrier and just do a partnership with them and see how that turns out over a period of time. That’s what we did.

We concluded that we would lose a billion dollars before we could turn a profit in this enterprise. A billion dollars is a lot of money and we swallowed hard as we thought about it. We thought that after about three to four years and a billion dollars’ worth of losses that we’d break even and thereon we would be a successful and profitable company internationally. We exceeded our billion dollars by about three times. We probably lost about three billion, close to that. It took us longer than we thought. We ran into more problems than we had anticipated but never once did we blink. We always though this is the right thing for this company, we are the best in the world at delivering packages. We know how to do it and all we have to do is to stick with this and keep attracting customers based on our ability to deliver promises because we can do it better than anybody else. That’s what happened.

It came to pass, it is a very nicely profitable operation now internationally for UPS. It was a bold daring move that worked. One of our major competitors was out there at the same time. They were not a private company, they were a public company. They started those kinds of losses and they had to blink, they did have to pull away and then later on they came back a few years later and started building a different way themselves. The strength of UPS being owned by its managers at that time and a private company with all the people who owned the company were virtually working there and believed what we were doing was the right thing and were ultimately sure of success. We had nothing but support all the way through it. That gave us courage to continue on with it and it was a real advantage to UPS.

At one time UPS had a company policy that said there would be no solicitation of funds for individuals for outside organizations such as charities and all sorts of non-profits. The reason for that was that there was a concern that a person’s boss might put pressure on them to give to something that was important to the boss but not to the employees themselves. That would be improper and that should be a free choice of everyone to decide how much to give or if they give. One day our chairman at that time, a man I just revered and loved, George Lamb told me that, “Oz you know this policy we have about not soliciting funds, I am beginning to think it’s a mistake.” It had been around ever since I had been in the company, that’s many years and this kind of set me back a little bit because I thought it wasn’t a bad idea. I said, “Why do you feel that way George?” and he said, because I’ve been talking to a number of our partners, we like to call our fellow managers partners, and I asked them what they were doing for non-profits and charities and to give back. He said “I wasn’t very satisfied with the answers I was getting.”

These people have been promoted several times, their income is now at a point where they can be doing more for society and only a few of them are doing what I think they should be doing. I think we need to foster it and encourage it, and I have been thinking about how to go about doing it. I said k, what’s your idea, he said, there is one organization that is throughout the United States just as UPS is, we deliver every town and village and even country home and farm in the United States and our employees live in all these places. We need to find an organization that is throughout the country and there is such an organization, it’s the united way of America. I think we should start a UPS campaign every year to raise funds for united way of America. It’s not really for united way of America its really local united ways.

Each united way has a local board and they decide what’s done with the money, not somebody up in a national office somewhere. It’s a perfect fit to us because that’s the way we feel about running our organization. Local decisions as much as possible buy things from local suppliers when you can when it’s competitive; use them because we want to encourage that. They are a lot like us and I think we will be surprised what our people will do. I and others said, “Gee, I think he is right. Let’s do that.” We had our first united way campaign, I think it was in 1982, and we were surprised we raised over a million dollars from our employees, and it shocked us. What we didn’t realize is we just scratched the surface. As our people began to find out about united way and as we began to learn ways to bring united ways’ story of local people being helped and even some of our employees being helped by united way, our people got more and more involved in it.

UPS’ers have a certain amount of competitive juice going in them. We started publishing during our campaigns every week the results of every single district to all the other districts so they could see how we were doing. They set their own goals and they established their own programs and within three years UPS won the very first award that united way gave for the one organization in the nation that ran the best united way program, and it was UPS who had only been at it for three years, and that surprised us a little bit too. That continues to grow and we are very proud at UPS. In fact UPS for at least the last eight years in a row has been the largest donor to united way of any organization in the world. They generate well in excess of 60 million dollars a year to united way.

I just received a mail in yesterday, in fact in the mail, for us retirees to get on the boat, and they’ve got a little project for us to make sure we keep giving, and we do. We have a pretty good retiree program too. It’s a great story. We learnt a lot about united way. It got me involved in united way personally. I have served on four different united way boards including united way of America board for about 10 years under executive committee. I have run national committees for united way. I have visited CEO’s all across this nation to hold breakfast and luncheons with them to talk about how they can improve the united way programs and do more to support the local charities. It’s been a life pursuit for me since then, and I still to this day being retired for 12 years still serve on a united way planning committee. I work on the strategic planning with them and spoke to the local united way leader the day before yesterday. I stay in touch.

Speaker 2: The foundation work, you added some comments today that we hadn’t heard before especially about the homeless kids coming out of foster care, could you sort of revisit that piece because that’s important to pass on. That was totally new to us.

Oz Nelson: Our founder Jim Casey established two foundations, one on the west coast and one on the east coast that were told to work with disadvantaged children. We, UPS executives, were the board of directors for the Annie E Casey Foundation which was the east coast one. He had some outside people who he brought in to do the one on the west coast based in Seattle. The Annie E Casey Foundation which I chaired for 10 or 12 years has grown because of the stock that Jim Casey put in at the UPS has grown to one of the largest foundations in the country and the largest one that works with disadvantaged children, spending something like 230 million dollars a year to help disadvantaged children. We have all sorts of programs and some we run ourselves because we like to use the UPS management and goal setting systems and best practice systems and all that in doing the charitable work.

We have brought that to a number of organizations who are non-profits. We did a spinoff foundation in partnership with the west coast foundation called the Jim Casey Youth Opportunity Initiative which concentrates only on foster care kids who age out of foster care. What we found is that kids who age out of foster care at 18 have no back up, no support, have virtually, almost all of them virtually no place to go if they have a problem. We always have this in mind that foster parents stay their parents forever. That isn’t what happens. In reality they get more foster kids. Those parents tend to get more and keep doing that but they can’t keep supporting all the others. A foster kid comes out, and if he is one of the lucky ones he or she to have a job and have maybe an apartment rented or a room rented somewhere and they keep that employment for a while they have a chance to be successful.

If they get laid off, and remember these are people who are not particularly not well educated, they are lucky to have high school degrees and they are up to be laid off. They are laid off, there is no security blanket. What we find is that over half the people that are street people as we call them in this nation, are kids who have come through the foster care program. We have set up this foundation to do nothing but concentrate on that problem and it’s having a lot of success. We have built some supports for these kids. We have built organizations that are advised by former foster care kids that each community work on, who are successful. They meet and decide how to support these kids. We provide some funding. We require communities to do some fund matching so that there is money there for them. We teach these kids how to keep their jobs, how to get better jobs. We give them incentives for savings and sometimes match or triple any savings they make which can only be withdrawn for certain things. It’s sort of like the 401K’s that other people have only we have it for these kids.

They get together socially; become a support system for each other. They have this overriding little policy group of successful foster care kids who monitor them and our foundation monitors them to make sure things are going right. We are working in a number of communities now and it’s a home run. We are going to see more if it I am quite sure. The Casey Foundation itself has done a terrific amount of work in for example, juvenile justice systems. There are States in this union right now that are closing jails for teenagers because they don’t need them. That’s a surprise to a lot of people because in many places they are building more and they don’t have enough room for them. In our experience where they are closing these jails where we’ve been working with them and others in those States are that the recidivism is lower and few of them that are going to jail to start with are getting local services in local communities and there is less need for it.

This money that was going to be put in to build more and more jails is now supporting this other system that is not nearly as expensive. It makes so much sense that there is probably eight or nine States now that are really scoring big on this. It ought to be all 50, and that’s our goal. That’s one of the projects we are doing. There are a number of them like that dealing with teenage pregnancies. We have been in that ball game for years and dealing with neighborhood groups, building neighborhood groups, creating neighborhood groups that enable to build supports for families. We have some operations in places like Seattle, Savannah, Little Rock, San Antonio that are quite major, very large serving lots of people and have made tremendous income progress for these folks. Many of them are supporting themselves. They have a future, they are even helping others.

The community has come in and begun to understand you don’t have to just give these people money forever, you can teach them to take care of themselves and help others. That’s what we’ve been doing. We have a success ratio that is surprising and very closely monitored and tracked with goal setting and best practices used. All the things we did around UPS is being used by Annie E Casey. We have taken the most brilliant social planners and workers and taught them how to be accountable. They have taken to it like … I can’t tell you how much resistance we had to start with and what believers they are now. They said, “My gosh, there is a solution that will work for these problems.”

I was head of marketing for united way nationally for a while. The single largest reason people didn’t give to united way, and it came study after study after study all across the nation, nobody asked me. This [inaudible 01:18:53] blow my mind. That’s what we went after. We said we want to make sure everybody gets asked both the group ask and a personal one on one ask, not from a boss from a peer. That’s the way we wanted to do it.

Speaker 2: We are rolling, back to Jimmy Carter.

Oz nelson: After I … I had strange relationships with Jimmy Carter because I didn’t vote for Jimmy Carter or wasn’t a supporter of his although I had always admired him as a human being. When we announced we were moving the UPS corporate headquarters from Connecticut to Atlanta Georgia in 1991 I got a phone call from Jimmy. He said, “Oz, I want to welcome you to Georgia.” I said, “You are the first one to call, it’s nice to hear from you” he said, “I am really looking forward to your coming down here.” He said, “I have a lot of respect for your company”, and says. “I would like to come up and meet you and say hello to your people.” I said “Great, when can you do it?” if you knew Jimmy Carter I didn’t, he had a date in mind and time in mind he is so busy that it’s got to be it.

He called and he gave me a date and a time and I was committed to his speech in California for some months, so it was a very large group. I said, “Jimmy, I just cannot be here on that date, but I wouldn’t want my management committee to miss getting the chance to see you. Would you come and meet with them?” and he said, “I’d love to.” I went to California and gave my speech and came back and he went up Greenwich Connecticut and met with our management committee, I had a long talk with him and I came back and the management committee was just … they gag with good things about Jimmy Carter.

I mean this is a room full of republicans let’s face it, you know and they were all surprised and I said, “Well gee, what did he say that you guys liked?” and he was talking about starting the Atlanta project, to help the poor people in Atlanta that [inaudible 01:20:46] Foundation; we’ve been doing a lot of work in some of those areas and he talked about a number of health programs that the Carter Center was doing, to help people in Africa who were starving and going blind and this, that and the other and they liked all that. I said, “Gee, this man is doing a lot of good work you know.”

I kind of said it back in my head. I got down to Atlanta, we moved down a couple of months later and I called him and spoke with him and he said, “I’d like you to help us on the Atlanta project,” and I said, “Alright, fine I’ll be glad to.” I said, “I want you to know that the project is too big and it’s impossible to do what you’re trying to do, but I’ll help. I’ll bring whatever resources we have and what we can do, we’ll take a bite out of some part of it and we’ll work it to death,” and he said, “Okay, fair enough,” and we did that. We took one school in one area and because we’ve been doing that work in [Cassie 01:21:40] and we finally can’t do a whole city.

I mean you’ve got to get a neighborhood and fix it if you’re lucky and then maybe go to the next one and try to spread it, but you can’t. His ambition was meritorious but unrealistic I thought, but he plugged away at it and he got some things going and it did improve things. I mean I got to know him and he asked me to go on his board and I’ve been on his board. I worked with him in the health areas and … because I’m very interested in all the work they’ve been doing in Africa and its exemplary work. UPS has been supportive of that work and it’s been a good experience for me.

I don’t happen to agree with everything that he does or he says, but the work of the Carter Center itself, I can be very supportive of it, has been a great experience for me. As I told him one day, “Jimmy, you’re the closest thing to a saint that I’ve ever met, in terms of taking care of people. You are really pure and intent.” I can see why a lot of people had disagreements with Jimmy Carter in some things because, to me Jimmy Carter is a huge optimist. He can grab a hold of the most terrible despot, leader of some terrible nation, he can find something good that person is doing, grab a hold of it and try to build off of it, where you and I would probably reject that terrible person.

Wouldn’t meet with him, wouldn’t talk with him, wouldn’t want anything to do with him; he never gives up. Sometimes that’s called for and sometimes it isn’t I’m sure, but … and some people think he’s naïve, I just think he is trying to figure out a way. You know he is a very smart man, trying to figure out a way; so I’ve enjoyed a relationship with him anyway and that along the way, getting involved in nonprofit activities, has been a joy to me and a learning experience. I’ve heard this from others who I’ve worked with too, who’ve said well, once I get out from in there, I’ve found out I could really help.

These people need some help and want some help and not that nonprofits aren’t been run well, some of them are being run better than companies, but some of them aren’t been run well too and they need help and they don’t have the resources to get it. That’s been fun for me. I do a lot of work with Ball State University and I love that and I’m not going to sit here and make a list of things, but I have played to keep busy and would like to have a little less to keep busy right now. In fact I’m working on my golf game and I didn’t start playing till after I’ve retired and I’m still getting better at those, so I have a good frame of mind about it.

Speaker 2: What’s your [inaudible 01:24:24]?

Oz Nelson: Well it’s about a 19 right now, I’m gaining on it. Well I guess I’ve got to [inaudible 01:24:30] now in the last two weeks, but I can’t play enough. I don’t have enough time to play, but I’d like to play a little more. First of all the process at UPS that would be followed for most major decisions, would be one where a few people would think it through and decide that hey, this might be something we ought to do, but let’s get more people involved in it, let’s get some experts in it and let’s just don’t get five or six people from head office, let’s get a couple of people from this district, maybe one from this country and one other region and a couple from the nationalist, get them together for a little while and talk about it.

You know and let them go back and talk to their peers a little bit and then come back together again and let’s figure out what it is they think we ought to do. It gives us a lot of information and it gives people a chance to get ready for something and to think about it and contribute it and often, the original ideas change dramatically. In fact by the time we get it together, the management committee then looks at it and says this is what we’re going to do, we’re not sure whose idea it was anymore, which is good. You know it’s good, it’s our idea; so it takes a little time to do that.

Unless it’s an urgent emergency, we’re going to be slower than average in getting to that point, but when we say that’s what we’re going to do and turn it around, it is installed fast because the organization’s ready for it, it’s installed with enthusiasm because they believe it is the right thing to do and it doesn’t have to be reinstalled. There is a real kick on the backend that makes it a worthwhile project and it keeps everybody feeling like they’re part of the organization. I can tell you we have surveys with employees that are extensive and quite large.

We give all employees the chance to reply to them and we get … I don’t know what the percentages are any more, but something like 70, 80% of employees take the time to reply; that’s a very high percentage, all around the world. We repeat them every few years, with mostly the same question, so we can see whether there’s been improvement or not. The questions in there would be things that maybe some organizations would avoid, like do you think your pay is fair, do you think promotions are fair, do you have enough training, is your supervisor someone that you look up to and it could be a variety of things like that and they have been carefully constructed.

We get enough sampling, they don’t get back with names, but they come back with workgroups. We can see how people feel about fairness issues and all those kinds of things; the people issues and we can see where we got trouble cooking and where we don’t. Then we pull all these together, it’s not just information for me or top management, we put it in our monthly mailing; we call it ‘The Big Idea’, I don’t know what they call it now, but it goes out to all the customers saying here’s what you guys told us; that you weren’t happy with this and you weren’t happy with that and here’s what you’re going to do about it and we’re going to report back to you in future editions of what we’re doing about it.

We may pull a team together and look at it and then report back though. Then the next time we do the survey, they get to see those numbers again; so it’s a circle of things and that’s why so many people participate and say they’re serious about this. They really want to know what we think and if something has to be fixed, they’ll fix it or they’ll do their best to fix it, because something we’ll always argue about is what measurement is too tough. Some people are always going to say yes, some people … the ones who are doing great, they’re going to say it’s wonderful.

There are ones who are going to argue it a little bit, but that’s our job to fix them so that they are doing it well, so they won’t have that feeling anymore when we look at it. I think that’s a very important thing. We did the same thing with customers, we had extensive surveys with customers and we can see trends and we also can compare with how they feel about competitors. It gives us a good idea if we’re missing a target somewhere or not and it’s just a historic feedback that can lead you in a direction. Where we have problems with service, we know exactly what our services everywhere.

I mean and we have measured the heck out of it, not just production service. No manager can be successful, just because of production [inaudible 01:29:13] will cost us little. Service has to be good, the people things have to be right too. We want to promote well rounded people and we want people to see that’s the one that we will report, who we’re promoting too. They say yeah, that’s the right person, they’re doing a good job, they ought to be promoted. My favorite measure of someone who should be promoted, is how are they affecting the people they work with; and that means not just the ones that report to them, but the peers they work with and their boss [inaudible 01:29:47].

You know that 360 thing about you go around and find out if you’re affecting everybody well, you’re a leader. If you’re just working your can off, really hard and putting lots of hours and well thought off because you're a hard worker, but you’re not getting that to any other people, you can’t be promoted because you can’t do it yourself. You know how much can Oz Nelson do when he was running UPS? I couldn’t deliver any packages; so you look for people who have influence and we teach it in our schools. We have a huge training school operation. Our own schools, we run them ourselves and have had them for years.

It’s informative, it teaches them how do you get workgroups to work, how do you identify who the influence people are and how do you get them on board, so that they can help you influence others and how do you select them and in addition to just the real trench work that has to be done, to get the work done. As I said, we had … I don’t know how many engineers we had. When I was there, I had 1,800 engineers on the staff. We were measuring and checking and testing everything. When a supervisor … if drivers came to work the next morning, he had production information on each employee.

How much time it took to do whatever they did, how much time it should have taken to do that, how many service failures for that individual if there were any and what they were and was in a position to speak with them that next morning, about … and none of our drivers could wait to see the information sometime at the end of the week. They loved it, it was proof that they’re doing a good job too. [Inaudible 01:31:34] once I thought about it, will we do the same thing on sorting packages and everything else. We have a name here about measurement and making sure we’re right, making sure that we’re meeting the goals, testing employees, testing customers and our philosophy at UPS is that we’ve got four constituencies that we have to take care of.

One is our employees; that we owe them good pay, fair benefits, fairness in everything. Promotions and taking care of opportunities, all those kind of things. That’s important and we’ve got to do all those things. Another constituency of course is the customer. They have to get the quality of services they want, the kind of services they want and at a fair price. We have to have the controls in place to make sure that’s the case. The third one is our [share owners 01:32:34]. Our share owners have to be … get a reasonable reward. That doesn’t mean we’re going to make them filthy rich or we’re going to do anything we can, to make them as much money as we can, but we’re going to be profitable and above average profitable and they’re going to have their rewards from having invested in our company.

The fourth one is communities; and communities are also very important to us. We think that it is in UPS’s best interest, for people to want to do business with us because we’re the kind of company that they like seeing in their community. I had a number of organizations come to us and tell me they used our service because of something we did. It had nothing to do with the normal business. Just some of them said, we saw you out there doing that and we said, “Gee, why don’t I use those people?” It’s their communities where our people live, it’s how they draw their conclusions and pride about our company, because they see we’re doing things in the community.

It’s why they’re all given a united way, helping their community to feel good about it, you know UPSD supports it. All four of those are important and when I hear a CEO say the only one that we’re really reporting to is the share owners. I say that’s a one legged stool and it’s not the right answer and it’s not appropriate and you need all four and you can do all four. It’s the age old argument we used to have with some of our operations people going years back, said, “Well what do you want me to give you, production or service?” and the answer was always both. Every time we took a look at it, the ones that had the best production, had the best service and the one that had the best service, had the best production, so we knew it could be done.

That was sort of the mindset with us, in the way we went about doing our work. I think every management committee member, feels this strong responsibility for all the people under them, performing their work the way it ought to be performed and the best way possible and doing all those … serving all those constituencies. I think they also feel a very strong commitment to the future and that was a tough thing to think through for me, because we were so driven operational for so many years and we had to change it from competition to be more service minded and I just happened to come around at the right time, with my service and customer service … the sales background to help lead that charge.

The way I had … I said for example, we were [hurting 01:35:13] for technology and we … it’s not that we hadn’t invested some money in technology, but we were such good human engineering, with all those engineers; were so good at it that every time almost we employed technology, it slowed us down and cost us more money and we were testing this stuff all the time and rejecting it and some other people were putting them in and weren’t as effective as we were. We had some cost and controls and reliability, but then competitors came along and began to figure out, you know things were changing technology and our guys didn’t recognize it was changing that fast and I was suspicious that it was.

When I came in … at one point I went to the CEO and I said, I’d like to take technology over. I didn’t need it, I couldn’t handle what I already had. Frankly I’d just been made CFO with no background in finance and I said, I’d like to have technology too because nothing was happening and frankly it was not enough and he said okay. I had at that time 97 people working in our computer group and counting secretaries, which we don’t have that many incidentally, but anyways 97 people. Within about three years, I had 4,200 people working in those areas and I didn’t do it myself, I did with a lot of other people. I don’t mean to imply … I’m speaking in shorthand here and it embarrasses me to do it, but a lot of great people helped make that happen.

That technology enabled us to offer new services, match and exceed what our competitors were doing. The management committee couldn’t do all these running and do all these stuff and plan it for the future and do all these stuff, so I said let’s set up groups that represent you guys, doing … specializing in these areas. We don’t want them to get stale necessary, so we’re going to cycle them in and out every few years, put them back in the real world and bring them back and if they’re really good at it that kind of thing, because we’ve got to have some concentration technology.

I set up a committee and chaired it. I spent a lot of time personally on it for technology and I did the same thing for the computer, for IS operation, chaired them both, but I had a strong number one person running both of them for me. Each of those were people by either the number two or number three person, in each of the functions. I said I don’t want the top person. The top person is busy one; and two, they’ve rejected too much of this stuff. The second person is all over everything and they’ve got … everybody knows them, they’re dealing with them, they’re respected, they know what the problems are.

They came in to those two different groups and just lit it up, once they understood what they were supposed to do and then they went back and met with their groups, every quarter. Said here’s what’s going on, here’s what we can do, here’s what’s possible, what do you guys want to do, what’s important to you and then we started spending … gosh, about the third year, I did it. I scared myself to death, I spent more money on technology than I did on trucks. I mean I totaled it up, looked at it and said oh my god, they’re going to fire me you know. It had to be done, it had to be done and that’s when we installed the computers that the drivers carried.

We finally got rid of the paper and all that kind of stuff and we went through one step further than any of our competitors, we actually captured electronic signatures and had that for sure. As we brought in these things, we were competitive … I told our group, don’t bring in any project to this committee for approval that just matches the competitor. If it doesn’t leap frog them, don’t waste my time with it. They got that message pretty fast. They worked hard and soon as … but the time we catch up them, they’re going to be gone anyway. Let them try to catch up with us for a change, you know that’s what we did and we pulled the resources and spent a lot of money on.

The same time we were losing these billions on internet, we were doing the same thing and just spending it, but we’ve got to pay back almost overnight on technology. We could spend a half billion a year on technology and get a billion back, because we were doing the same thing over and over again. Once we got some at that level, we could do it everywhere and it paid itself instantly, which internationally was more of a different situation; it took a while. It gave us a chance to take care of the future, we even had a … then we had a separate strategic planning group. We said okay, now let’s start looking into the future.

I want to know where we’re going to be in 10 years. I know we want to know and we’ll be wrong, but let’s say … and one of the things we asked them to do from an operation standpoint, is I want the clean sheet of paper to look at it. We’ve got X amount of customers, we’ve got an X amount of packages, we’ve got X amount of tracking business and all these things we have, they exist now. If we didn’t have any facilities at all, where would we put them to operate what we’re doing now, because we’re tied down on assets and big expenses and things we couldn’t move [just yet 01:40:34] and what would our systems look like. Now project their volume 10 years out and do that again.

Now we had it … all those damn engineers, they’re good at this kind of thing. I mean they really … they loved that project, they worked on it. They said alright, well this is what it ought to look like, our buildings ought to be in all of these places, our operations ought to be … in the meantime, we built the … nations are the world’s 9th largest airline who are going through all of these things and so we had to learn all that business too. Relocate and buy aircraft and repair and manage and maintain them and all these kind of stuff. Anyway, we laid all that out and said alright, some of our buildings are in the right place, some aren’t.

Now when we start making decisions today, about what we do next year, are we going to make a decision that solves this problem today or are we going to be where we should be 10 years from now; now I want that on the plate too. A lot of times they said, well this made sense this year but in the long term it ought to do, let’s do it now. We had to reproduce it or write it off later on, so we did a lot of things like that and the management, they didn’t have the time to do that, but their number two or number three people were working on those things, keeping them informed, working under them with the rest of the organization, getting their opinions too.

Then bringing them for a resource approval for a group of top people who would say yeah, these are the ones we’re going to do, that’s a good one but we can’t get to it yet and that’s the way we faced, finding time to do the other stuff. There’s one nonprofit I’m working with right now. I’m trying to get that across too, because frankly you’re leaving too much on the table. They’re too busy, they’re having too much success, they are satisfied with it and they can do it more and can’t figure out how to do it. I’ve been interviewing people and I’ve talked to the leader and I think I’m getting something going like that now finally, but that’s what you have to think about.

Speaker 2: Is Nick responding?

Oz Nelson: That’s not Nick, that’s a [inaudible 01:42:35].

Speaker 2: It sounded like it, it sounded like that.

Speaker 3: You have to cut that one.

Oz Nelson: Nick’s hanging by his fingernails, the poor guy is working himself to death.

Speaker 2: If you were to do it all over again, wouldn’t change anything?

Oz Nelson: Well you know, I’ve made mistakes and the biggest mistake I made and I’ve said this before, for years new competitors would crop up to take on UPS and they’d be big named competitors with lots of money and they would start operations, they competed with us and they do great for a year or two and then they’d start growing geographically and they couldn’t match our efficiency and they would go away. It had happened several times with very big companies and then all of a sudden one came up, RPS. It was a part of Roadway Express which is a very good freight line and that’s one thing that made me pay a lot of attention to it, because that’s a good company.

They started up an operation and they dissected our business. That was back in the days when we were competing mostly with the post office then and we charge everybody the same rate, just like the post office did and we did our costing all on averages. Average cost for stops and deliveries, so our costing was uniform and magnificent and finite and we knew exactly what was going on, it was on average costing. They came in and found those customers who gave us the kind of packages that generated more revenue. They were heavier, consolidated, some more packages got delivered to the same place the same day, which reduced your miles per package delivery, which is very important.

Started discounting our rates and started taking some business in the areas they were operating from us on that premise. We were sitting back saying of they aren’t going to make it like everybody else, but I was still watching because I was worried about it a little bit. It took me a few months, I don’t remember how many anymore to realize that hey, this might work. What I didn’t realize, is how hard it would be to change UPS. It wasn’t because our people weren’t willing to change, because we didn’t have the systems to deal with it. We didn’t know what it cost to serve an individual customer was, we didn’t know the shipping patterns of customers, in terms of miles per stop for their individual package.

All those kinds of things and we were put in the position of maybe having a match rates, without knowing what we were doing. I finally threw up my hands and my … the guy who was in charge of that for us, a brilliant man, a wonderful man was doing a zillion things and I couldn’t get his attention. He set up a committee to start working on it. I called him one day and I said, “I think your committee is working with McKenzie on this one, aren’t they?” he said, “Yeah.” I said, “Where are they meeting?” he says oh they’re meeting is such and such, “Are you going to be there?” “No, I can’t make it.” “Okay, well I’ll take your place then.”

I went to that place and we were meeting in hotel in Connecticut and I stayed … I put three or four days a week in there with that group and by the second week, he started coming to every meeting that I went to and then he fixed it. He’s a brilliant guy but he just had to get his priorities straight. It was so important for the company, that I just couldn’t let it not be done, but we had to rebuild our whole accounting system, we had to retrain our entire sales force on selling it a different way, teaching them how to discount and who deserved it, who didn’t. Then set up computer programs and it took us over an year to do that and I spent four days a week in a hotel room, working with lots of people you know and we lost valuable time in that period and that’s it.

If I were really smart, I would have said sooner or later, something is going to work. I better start preparing ahead of time for changes and I didn’t do that. I just thought well, a couple of months if we had to change anything, we’ll change it. We do everything else that fast when we do, but it was harder than that. We had some top management people that were afraid of it, because it was a big change too, but everybody wanted it because they saw packages going away and we had our lifesavings in this company. Change isn’t hard if they’re convinced that it needs to be done, boy they were up to sleeves they said, what can I do and they did that, they really did; it just took a while.

That’s one thing that I wish I would have done differently. I think I was just horribly lucky that one of my fraternity brothers called me and asked if I wanted to be interviewed at UPS and it was a great fit. I retired at 60 because that was my plan, my entire life to retire at 60. My father retired at 60, he had a few good years of health where he had bad health. That was important to me; plus by then I wanted to do a little of nonprofit work and I had at least six or seven guys that could replace me, ready. They had been promoted, cross trained, transferred, they’d done every bit of business and we decided Jim Kelly was the best one and he was ready to step in, so I wasn’t worried about being replaced.

I loved going to work every single day in my entire carrier. I can never remember once at work, looking at the clock wishing it was 5:30 or 6:30, of course I didn’t go home anyway. I pretty much went to work at 7:30 and left around 7:00 anyway, because I liked what I was doing and I needed a little quiet time because during the day, it was lines of people and phone calls and if I was in town to meet with, but I loved every minute of it and it was a joy. The day I left, I didn’t miss it because I was fulfilled. I didn’t sit back and said gee, now what do I do because I had plenty of things to do and I wanted to do and I have been as I said, busier than I want to be ever since then.

You can do as much as you want to do and more easily around here as you know and it’s been fun. We started a logistics business and that was one of the things we wanted to do, is start [Parts and Global 01:49:20] and provide 24 hour service or next day service, for emergency repair parts. It plied to [Sheeva 01:49:31] maybe one of them … there’s a number of them there, a number of companies and that is working very well and it’s … but we purposely entered that business, logistics was a real challenge for us. It was a no-brainer on one side, because it all of a sudden became fashionable to firm out stuff.

If you’re going to firm out something to somebody, UPS was about a reliable company as you would think off, the only [inaudible 01:50:01] was gee, UPS is high wages and high benefits with employees and that would it be more expensive. As usual, we put our systems in and reduced cost, most of those were actually nonunion jobs anyway, they do have benefits and pretty good pay, but not the same as what we were paying a truck driver or [inaudible 01:50:23], but we envisioned of that being done, Federal Express had started doing something like that before we had and it just never did work it.

We went after it and worked it and we’ve grown it and its pretty successful and it operating in a lot of other places in the world too and other airports in Europe and Asia. We bought a few companies that specialized in those areas and got their expertise and put it into our systems and upgraded the systems and it’s created a whole new business. The problem with logistics is that it’s so tailored. You can go to a company and meet with them and it took a huge amount of investment and hours of planning, to tailor everything to what they wanted. Then our guys would go on to the next, somebody in some other industry and do it all over again.

Finally we got sitting around and talking about it and said look, let’s … once we get it … we figure out how to deal with this industry, let’s sell it to the whole industry so we knock out this upfront cost and start replicating things, like we do in our own operations and that was magic. Then we got consolidation going and it worked very well and they’ve been continuing to do that kind of thing and we’re probably the largest logistics company in the world, I would guess I don’t know. I haven’t looked at it lately, but I know it continues to grow and it’s been a challenge from time to time, but it’s been profitable. It’s making money.

Well you know there’re … I’d like to do a little more loafing, a little more reading, a little more golfing. I’d like to spend a little more time with my family. I envisioned retirement being a cup of coffee in the morning and reading the Wall Street Journal and going to my grandchildren’s ball games and stuff like that and it really hasn’t been that and I regret that a little bit. I like to do a little better job, but now that they’re grown up, it will be great grandchildren now I suppose. In any event, I’d like to do a little more of that. My wife has some health problems, I’d like to give her a little more support than I have. She keeps wondering whether I’m going to retire and I’d like to spend a little more time with her and I keep promising her I’m going to do it.

I’ve cut back a few five or six organizations over the last year or so and I’m down to the last few now, but it’s still there’s a lot to do. The Museum of Patriotism has been something I’ve been laboring with a few years and trying to help them be successful and that’s challenging. It’s almost day to day and we’re … it’s in [transcribing 01:53:16] right now to keep it going, but I think we might get it done, we’ll see I hope so. Getting more help as we work on it. I’ve got enough to do, I’m still doing work with CDC. I’ve rotated off that board, but they’re still on the phone every week with something and their requests keep rolling in.

I don’t accept most of them anymore, but some of you just cannot do. Their friends or somebody I’ve known for a while, who helped me on something and I figure I owe it to them; again a lot of young people, I don’t know why. I went to the bank the other day at Wachovia to cash a check and the guy says, “You’re Oz Nelson aren’t you?” and I said, “Well, yes.” Then he says, “Well, I’ve read a lot about you.” “Why? [inaudible 01:54:08],” he said, “Well I’m going to start a delivery firm,” he says and I really … I’m impressed and read it and then he said, “You have great ideas, I’d like to think about,” and I said, “Well, good luck to you. I hope it goes well for you.”

When I go home, the phone rings the next day, “This is Wachovia, we’re doing a survey. We wonder how is your customer service taking care, when you’re coming to the bank?” I said, “Fine, I’ve enjoyed being over there.” He says, “Well I’m the fellow that took care of you. I wonder can we get together and talk a little bit about delivery services.” I get stuff like that. I don’t know, like the guy at the tire store got me cornered the other day and I’ve had six sessions with him now. Somehow young people I just can’t say no to and so I spend more time than I should with them, my wife sometimes thinks that I’m nuts.

Again there’s a guy here in town who is brilliant, he has some kind of a disease that is debilitating; brilliant. He calls me at home about every three weeks in the evening and talks for an hour. He’s by himself, he’s lonesome, he’s brilliant, he asks … he talks about interesting things, he’s way smarter than I am about everything, he must just read books continually. He’s composed music, including classical music and have it … heard it played, he’s started some companies when he’s younger you know and he’s … but he’s lost. I can’t … I just can’t … I’m compelled to talk to the guy, I like him; so I don’t know, there’s probably something going on.

My experience with the ones I spoken with, is that they’ve done a fair amount of research. I guess you would be that kind of person, if called Oz Nelson or you talked to Oz Nelson you’re doing research, they’ve given a lot of thought to it and this young man at Wachovia Bank, when I sat down and had a cup of coffee with him, I spent an hour with him the other day last week, his depth of understanding of what he wanted to do was far more than I would have suspected and I was very impressed with him. I talked about some marketing and then some ways to make sure he understood his customers and he understood the competition.

What they did, what they charged, what kind of services they provided and how he would stack up against them, because when somebody makes a decision you use, they’ve decided not to use somebody else and you better have some good reasons for that or they won’t make that decision in your favor. We’ve talked about a little bit, but he had done some work in those areas. Another fellow just … he said he wanted me to be a mentor to him. Well I didn’t want to be a mentor to him, I told I’d meet with him a couple of times, but I wouldn’t even adopt him.

You know but we ended up playing golf a couple of times and three or four meetings with him and he got a promotion and then he kind of drifted away and that was fine. McKenzie Consultant the same way, he used to call me once a year and we’d have lunch and he’d talk about his career and he wasn’t happy staying at McKenzie, he wanted to do something else, didn’t know what and we bounced things away. He’s now a top executive at Home Depot and happy there as I understand it. I’ve had a few like that, but they’ve been pretty thoughtful people.

They haven’t been just somebody just you know, looking for a few kernels to think about what they may want to think about, they’re already thinking and that’s encouraging to me, I liked it. Well I’ve thought all along frankly and all through it in my experience with UPS and others, it what’s become very popular that we talk about these days, ethics and keeping your word. It’s very important that when you say something is going to happen, it happens. Somebody asked George Lam, again my favorite CEO one day, why he’d given Oz Nelson the job he had and he said, “You know what,” and he says, “Nelson keeps his promises, but if something doesn’t get done, I hear it from him and not somebody else,” and I think that’s important.

I think that’s a responsibility we all have and some people don’t do very well. You can’t hit a 100 or about a 1,000 or whatever. You know some things are going to take longer, something is going to happen to you, you couldn’t guess about but you’d … my idea was if I didn’t make a commitment I said I was going to make, when I went in to tell whoever I made it to it wasn’t done, I had a solution for getting there and here’s what we’re going to do now to try it. You’ve got any other ideas? If not, that’s what I’m going to do. I haven’t forgotten it, I’m still on it and you know that kind of thing.

Jim Casey used to talk about customers, he says, “Don’t promise customers everything, you can’t do that.” He says, “What you want to do is don’t promise more than what you can do, but do more than you promise, surprise them. Let them know that just the standards that you have, aren’t good enough, you’ll do more when you can. I think that’s been very important. There’s an ethics and an integrity and honesty, throughout UPS that gives people the strength to say gee, I screwed up and I made a mistake and it’s okay and our job is to help you be successful, not to beat you down for mistakes that you’ve made.

When something fails, it’s not spending a lot of time on recrimination, it’s spend the time on well what do we do to fix it, how can we do it, let’s get together and let that person be a part of the solution if you can, unless it’s something that involves integrity, then they’re gone. That’s a different thing, but I really think that part of it is important. George Lam went to a conference one time and I’ve told this story about, it was sponsored by a church in New Jersey. They had businessmen there, they had religious leaders there and I don’t know how many 25, 30, 40 people there, all executives and they were talking about ethics and they were dealing with such questions as, can you be successful in business today and be ethical.

He said he sat there and he heard people talking about such things as well, I just scribed on reports and exaggerated things and I’ve fudged on numbers and I’ve done this, that and the other. He sat there thinking about all those things and he said gee, I’ve never felt that I had to do that you know. I always felt that I came to UPS with pretty good ethics, but then UPS strengthened and made me stronger in them or I would have maybe done some of those things they are saying, they supported me and told me it was right. That is a culture that is very worth preserving.

At our annual conference each year, has the top management of all our companies throughout the world there, maybe 275 of our top managers around the world. The CEO speaks at the end of the conference and my talk each year was always on ethics, protecting the brand, protecting the culture, protecting any needs of our company and we talked about such things as you know, we can have $25 Billion in sales, we can have 2 Billion, $3 Billion in profits and all these airplanes and all these trucks, all these wonderful people, but none of us is worth anything, if you don’t have integrity and if people can’t … that’s the one asset that has to be protected, above all the others.

Because without that asset, integrity and a reputation organization being good, all else is lost. We had to do what we have to do to protect it. I had told them stories of one particular company, a very large company and successful company, who had two top executives prosecuted for price fixing and the CEO told me and other CEO’s who had gathered that weekend at a meeting, what that had done at the organization. He said he had everything he thought in place, to keep that from happening and I’m thinking to myself, you know just like we had at UPS.

He said but somehow, these guys we think made this mistake. Now they have their own lawyers, one of them quit the company and left, the other one is in the office, working every day with his lawyer, trying to defend himself. We all don’t know whether they did it or not. What we do know is our company’s name has been splashed in the papers for price fixing and we’re ashamed of it. There’s a level of trust that has now gone within the organization and they really are … they walk by that guy’s office, no one even speaks to him now any more, they’re so mad about it you know.

I’m not a 100% sure he did it, I don’t know. He says, “We’re in the process, we’re still wading through this,” but he talked about what it did to the organization and the culture and their people and their customers who read about this and they wonder well, are they doing that to me too? Maybe that’s not the kind of company that I want to do business with. All the good decisions they’ve made through all the years, have been brought to question, because the actions of just two people. I gave that as an example because I wanted them to know, we have to keep talking with other people about this, we have to make them aware that this is important that we believed in it and that’s why I talk about it every year.

It’s very important and it can’t be done just as a national conference. You have to pick your meetings, where you talk to your people about these things. One of their great vehicles for doing it is the use of the UPS policy book and the four meetings, pulling out our policy and saying, here’s our policy, let’s talk about it, why do you think we have it, do you think it’s a good one, what’s good about it, what does it mean, does it affect you and your work in any way and talk about it, so they understand it. You can’t … it’s never a good answer, when somebody asks you why are we doing something, you say it’s policy.

You’ve got to take your time to say why its policy, or they won’t get it. Yeah UPS in automation had a sort of a strange history. When Jim Casey started UPS and others many years ago, they did some pretty innovative things with technology. They’d created a new sorting wheel to sort packages and they set up routes differently and they measured ways to doing them. We had over the number of years, built up a staff of as many as 1,800 industrial engineers, who were working on more efficient ways of doing things and this very strength, maybe it was a little bit of a weakness, because when we would bring in occasionally a technology company to look at some problem, or to look at our way of doing business, they would introduce something that was not only very expensive, but slowed us down.

Because our human engineering was so superb. We brought him in and rejected the recommendations. He tried some, tested them, they were expensive and closed them down. Our people became a little immune to thinking they could learn anything from these people and it’s understandable. We were really successful, we were growing faster than anybody else, we became the biggest package delivery in the world and so we were really satisfied, in fact one of the people had made a presentation just before I became the CFO to the management committee, about making a substantial investment in our computer centers, which were very small and weren’t very capable.

They were just doing accounting work mostly for us and they studied it and the management committee voted it down in about three months. I was shocked when I heard it, because I was … I had a glimmer of some things that we could be doing that we weren’t doing and was beginning to worry about other companies being able to do them and we couldn’t. That really shocked me and I’d go on and talk to a couple of people about it, but I was no technology person myself, I couldn’t persuade too many people. Anyway, when I got the CFO job, the computer job came with it and we had I think I recalled, just under a 100 people working on the computer accounting secretary’s area and the computer center was in New Jersey.

We soon in the next two years or three years, I had brought in a couple of people, when we expanded it to about 4,000 people, to give you an idea of what had to be done. With lots of promotions from within and bringing people from the outside for the first time on an organization and did a lot of that and it worked beautifully, but I also asked for technology which was in the industrial engineering area. The fellow who was running that at the time had done a great job for us over the years, Bo was getting closer to retirement and was kind of down on it, because of his experiences. With all the things that had been done, he was willing to do some things, but he wasn’t really innovative.

I asked for both of those and I had approached both of those assignments the same way. I went to the organization, I said want your key people from each area to work with them and I didn’t want them for automation, I wanted them for computers. I did computers first and then right behind it automation. We had an engineer at UPS, a brilliant man by name of Gene Hughes, who really strongly felt technology could do a lot more for us than we were doing and I found out that he had a little skunk works going outside of Chicago, that really hadn’t been approved by anybody, he was making real in roads.

I went out to see it with him and understood it, as he explained it to me and I promoted him right away into heading technology and he helped broaden my thinking of what could be done operationally. Now I had been to workshops and so forth outside the UPS and seen what was being done with marketing with technology and serving customers with technologies, that we weren’t capable of doing. Well I could have asked for it, I’ll otherwise be told well we don’t have the resources. I was not the only one hearing that, I said we’re going to change that and that’s when we started adding all the people and doing all the work that had to be done.

There was a huge payback in the technology work that we did and it’s because we do have, at UPS the same job almost everywhere, in terms of delivering packages. If you can figure out ways by using technology to be more efficient at doing it here, then you simply replicate it at all these other places and start getting lots of payback. Our technology budget went from … well I don’t know, maybe a few hundred thousand dollars a year to a billion dollars a year. At one time, after I’d been CEO for about two or three years, I realized that I had spent more on computers than I had buying trucks in one year. I said boy, I hope nobody realizes that.

It scared me when I saw the numbers, but I was convinced it was the right thing to do and it was. That marked a big change in our thinking, in the way we went about doing business. For example, when we put this new technology group together, I said, “Before we do anything, I want you people to be the most informed they are, about what’s possible, what can be done right now and secondly, what’s coming right down the road. We sent them out to universities and leading technology companies and gurus with technology, sit down and talk to them, find out what’s going on.

I went to MIT and we hired Michael [Totutis 02:10:42] who is a brilliant technology man. He came in, I’d hate to tell you how much I had to pay him to get him. I mean it just made me mad every time we wrote the check, except I knew he was worth it. Anyway, Mike came and looked at our operations and he says, “Holy smokes,” he said, “Do you realize what you could do?” and of course this other engineer I had, also had the same realization and it was again for him to teach me that. I said, “Well let’s begin planning it,” and the group got together and started planning how to sort packages more effectively, how to be more accurate.

For example, we’re trying to run 99% accuracy on delivery times, when customers give you about 4.5% bad addresses and we were looking at technology help to correct that and we found that technology in the process, had corrected a lot of them automatically on the run. You know cities and names didn’t match the zip codes, it figured out a way to analyze which one was right and send it the right place and that kind of thing. Put identifiers on packages that you know enables you to not only to sort them, but eventually to track them. Today UPS’s information systems are next in … second to nobody. They are so good, we can find a package anywhere and it’s very unusual, we can locate something where it is and even redirect it within our operations, anywhere in the world.

It’s get this package, here’s where it’s going to be at this time today or this afternoon, redirect it there and customers are even beginning to rely on that now. Or you get something sent out and you find oh-oh, this guy stopped paying his bills or I’ve got a $50,000 shipment on a way to stop it, send it to another customer. We do that or return it and we could never do that kind of thing before. I remember customers calling then the customer service and said boy, this package is supposed to be delivered today and I don’t know why it’s not delivered. We need to find it and get it there or maybe somebody’s wedding is at that next morning and the wedding dress isn’t there and things like that.

I remember more than once, you know calling somebody, I think it’s on this trailer. Stop the trailer, unload it, 4,000 or 2,000 packages on the trailer, see if it’s in there and if it is, pull it out and give it to him and doing that kind of thing. Now, we press a computer and it tells us where it is. We know what trailer it’s in, we know when it was loaded, we know what time it left, where it’s going to and when it’s going to be there and we can automatically pull it out electronically and deal with it, but we had none of those capabilities before. Many of those capabilities, our competitors were beginning to build.

Our policy was, any major project we did in technology, would be designed not to match any competitor. It’s to leapfrog what they’re doing. If they came back and said, here’s what we’re going to do and I said well, what was the competitor doing here, well that’s what they’re doing. My goodness, go back and they soon got the idea that we were really looking to become a leader, not a follower in those areas and that’s exactly what we’ve become. A lot of people said that one of our competitors who was really good at technology and was way out in front of everybody and everybody was stunned that we were being so bold as to go after him.

We only had two things, we had the will and we had the money. We were a very profitable company. We could afford to make those kinds of investments and people were willing to do it and it all paid off. In fact we’re still to my knowledge, the only transportation company that electronically captures signatures and can electronically sign signatures that prove the delivery. That something was my dream back a long time ago and it wasn’t my idea, somebody said I think we might be able to do this and we did. We spent some money to do it, I said because that’s … if we’re going to tell people that we’re technologically capable and can do more than everybody else, this is a great example. Let’s get this one, this is worth doing and spending some money on and we did; so we did some of those things.

It changed our company’s attitude about the use of technology. When we first went to the driver computer and those of us who’ve been around for a while, remember drivers went around with clipboards and pieces of paper and writing down each delivery and somebody signing on this piece of paper. We’d go file them in files and if we had to trace a package, somebody had to go to the files, go to those papers and find it and they’d put a trace in, they’d trace his signature instead of tracing to him, saying this is when it was delivered. Very expensive. We eliminated that whole function, so that hundreds of people incidentally when we would put it on electronics; but that’s what they were doing.

When we decided we’re going to put a computer in each driver’s hand, it scared the devil out of our drivers. Computers, we’re going to run computers, I don’t think I can use a computer. We made a promise and said there is no driver who will lose their job, because they can’t run this computer. We will stay with you until you can run it, no matter how long it takes, it’s a guarantee and then I brought in a fellow to do it, who was most unusual person. He’s now running the National Museum of Patriotism and I said to him, I said, “Nick, this is my promise and you’re going to deliver on it.” He says, “I can do it boss,” and he did.

Some of the weeks stayed with a long time, but everybody learned how to do it and use it and you couldn’t take it away from them today. I mean it’s so much better, they’re so proud of it and we keep having newer versions of it that can do more and more things. We could have never done that, without building that infrastructure and technology and building the computer systems that go with it and being aggressive and trying to find the best things out too. Not the bleeding edge but the leading edge. We had a group when I first got the technology group, a small group of people who were building robots.

I became well gee, that’s one of my responsibilities. That sounds great. You know so I went out there and spent some time with them, we were going to use a robot to unload trailers and everybody assured me it could be done, it’s possible and we had … but the problem is, each package is a different size, different shape, weighed differently, the problems were monumental. After fooling around with it for a couple of years, I finally talked to the … but then I got in charge of it and I said, “When do you think we’re going to be able to deliver on this project?” and he says, “Do you want to know the truth?” and I say, “Always.” He said, “Well, not in my lifetime.” I said, “Thank you,” I shut it down.

I sold it off to somebody else, we want to do the practical, we don’t want to do the things that aren’t practical and it was a good decision on our part, nobody is doing that yet. That was 15, 16, 17 years ago. You’ve got to know what you can do with technology and what you can’t do with technology and let the dreamers, let them dream. Sooner or later they’re going to get to the place where maybe we can’t do it, but not on our money because the odds are very short on those kinds of projects. Well logistics, one of our competitors did start sort of a logistics operation in Memphis.

They had some of the warehouses where they were warehousing packages for customers and then when they got an order, they could put it in their system right away and get a very quick delivery. We were thinking about as being logistics and we thought well, that’s something worth doing and we want to do that but we also said, the new UPS wants to do things that customers want us to do, not just the things that UPS wants to do. A logistics arm, concentrating on customers, can tailor make things and do things for customers that regular UPS can’t do. Then we can bring those special things and then offer them to all our customers, but we don’t have to concentrate our main activities in all these things.

Logistics then came in to … for example we bought a company that was really a hot urgent hair delivery company. I mean you’ve got something sitting here, you want it picked up in an hour and you want it delivered in person by somebody by hand, four hours later in Cuba or whatever, they get it done. They were making a little money and they were successful and the guy who ran it, was a very entrepreneurial clever guy and we made him very, very rich. We bought it and then we hired him and we brought him to our national office and he was great, helping us build logistics and think outside the box and some other things that our guys wanted to do and some things that he thought we should do.

Now we had UPS ground service, UPS second to air service, UPS next day air service and we had this service where we would do anything. We could bill or go to our customers, now you wanted air shipment, you had to call nobody but us. We were there every day anyway, we made sure that this gets done and that helped. Also on logistics, the customers were asking us to do their work. It became all of a sudden sort of the in thing to firm out a lot of stuff. Sometimes we did it and sometimes we didn’t, we had lots of requests. Actually, we had to be able to make money in some of these requests and we started out doing a lot of different things and we found out that the upfront [cough 02:20:23] was so high that we couldn’t get them profitable.

Until we figured out that well, if we do something that is profitable to lots of other people, spend some money on that and then replicate it, just like we did with our own operation on the technology things that we were doing and that’s when we would put that group under the black and we started thinking through how to go about offering these different kinds of services. We had at one time, we had a huge movement of volume from the East and Midwest to the West Coast in ground packages and trailers, loads of packages going there and very few coming back.

We said, how can we use that empty air and we started looking around, we said well we’re going to start hauling fruits and vegetables in refrigerated trailers back from the West Coast, to the stores and warehouses and all that for a month. We started buying refrigerated trailers, then we used them for packages going one way, turned on the refrigerators and then we were going back. We soon became about number one in the industry in doing that and it was working pretty well, but then a few years later all of a sudden, China, Japan, South Korea, all these countries started flooding merchandise into the West Coast [inaudible 02:21:41] we no longer had the space, we got out of the business.

It was that simple, but those are the kinds of things and logistics in the way you run a business, to be successful. Somebody else is hauling that now and they are frankly struggling to get stuff going back the other way you know and we’ve got it. You know at some point, you never know how that might turn out, but anyway that’s part of the logistics, is just finding out problems out there and solving them. We have all sorts of warehouses now in the [Little Bow 02:22:12] area in particular, where we store merchandise for all sorts of companies, so that they can ship it out, if they get a call at 1:00 in the morning, we can deliver anywhere in the United States by 8:00 o’clock the next morning if we need to.

That’s possible now and it’s not all hard to do, I mean because we’ve already got the infrastructure doing that and the sort shuts down about 2:00 in the morning, you’ve still got a little time to get a package in. We have other companies that said, well we want more than that. You know we also have people who have computers out there or scanners or whatever it is out there, that just needs a simple repair job and it’s not much … it’s not a very difficult job. What if you they called us today and you picked it up today, brought it back in, repaired it, had it back to them the next day, can you do that? I said sure.

We’re going to train the people how to do it, you know but we can do that, so we’re doing that. Sometimes it’s one day, sometimes it’s two days, whatever the requirements are and also there are certain very high class drugs that need special security and so forth. I can deal with those in a different way. The opportunities are unlimited. We use boats now, you know where you can … we have arrangements with the largest boat liners. We can move freight anyway you want it moved and all through calling UPS and that’s become a very big business for us.

It’s not as big as our ground package business or our air business, but it’s getting there, it’s moving. We bought a freight line and we finally said, well we might as well move on up. We’re starting to do a lot of this stuff anyway, so we bought a freight line and that one’s growing, we’re learning how to run that and it’s growing nicely now too, except for this period right now when business is so depressed, but that’s going to be a very good one for us too. We’re really willing to do things customers need done, if there’s enough demand for it that we can make money at it and do it.

We don’t mind losing money early on. We’ve always thought that it’s a good investment to lose money, to build a profitable operation and we have enough other profitable operations that can provide the seed money for it and I don’t know what we’re going to be doing five years from now or 10 years from now, but it will be some different things that we’re doing now I hope or we will be in trouble. It was a very difficult decision to do an IPO, to take UPS away from being privately owned by their managers, active managers and retired managers and the majority, because that was a real strength and advantage.

It was thought at the time that we were going to make a very large acquisition of an organization in Europe and it could not be done with private stock, it would have to be done with public stock. It was a lot of money and it was more than we chose to finance, or we’d want to finance. We didn’t want to put that kind of leverage on the company. The thought was we’d have to do with public stock, a big piece of it. I can tell you I had reservations about it, I was no longer CEO at that time, I was still on the board and I had a number of discussions with the CEO. It kept coming back, hey this was a really good opportunity, we don’t want to let this pass, it’s a big opportunity.

It was with that thought in mind that the board of directors decided to go ahead and do that and that deal never took place. It never did happen; however I would say and I had to go back and do the math now, they had done a number of smaller deals and it was expansion with smaller deals and that did make those possible, now whether you could have done it another way or not, I’m willing to debate with people, but in any event that’s what happened. That’s what caused it. In UPS, I know I went to the CEO and I said to him, “I’m concerned about this, because we’ve always been willing to make tough decisions and long term decisions and not worry about short term decisions.”

“Once you’re doing a public market place, you’re going to have a lot of pressure to make short term decisions. It may not be good for our people in the long run and keep in mind, still our people own a heck a lot of the stock in the company anyway. They still own a lot of stock.” He said, “Well, here’s the things I’m going to do to try to protect me from doing that, but I’d like you to make a deal with me. The first time you see me make a decision you think is short term, you can come and see me about it,” and I said, “Don’t worry, I will,” and I don’t really get involved in the company either, but he asked me to and so I said I will.

I only went to see him once in the five years as CEO about something, when we got all finished then he said, “You’re right, I shouldn’t have done it.” I said, “That’s all I wanted to hear. Just know I know you’re thinking about it,” but he was a good CEO, he did a great job and the current CEO is very long term in his thinking. We’re trained to do that at UPS, but the public stock pressure pushes hard the other direction and we had to keep talking to ourselves about it and I think they do. I can tell you that it’s important on major decisions, to get the organization behind you and it takes time to get the organization behind you.

You can do a lot of things over the years to set up a feeling that, decisions that are made are good, but you do that by consulting with these people and making them a part of this decision making process, if UPS were to offer a new service of some kind. It might be for example some years ago, we decided we were going to start leaving packages at doors, where it was safe people’s homes and not get signatures because we would find ourselves going back and forth a lot and having to return packages and nobody benefitted economically from it. We started thinking well maybe there’s lots of houses where it would be safe to leave them.

At that time, I was in customer service in a national level and they asked me what I thought about it and I said, “I don’t think it’s a very good idea.” They said, “Why not?” I said, “I’m scared to death if people steal the packages, our reputation will be at risk, people will think we don’t care, we’re not …” I gave him a list of reasons why and I said, “But I do recognize there are some advantages to it.” The CEO, I think it was George Lam at that time, again the guy likes it so much he said, “Well you know, I’m glad you thought it over,” he says, “I’m putting you in charge of this project.”

He says, “You go out and tell me, I want you to put it down in three districts or two districts or how many you think it’s right and you decide where and I want you to examine it, put it in the procedures and then come back and tell me, whether or not to do it nationally or not,” and I said, “Good deal.” You know I couldn’t wait to get out. I was going to prove that I was right and he was wrong frankly. I went out there and found out that I was wrong and he was right, because there were ways of things we could do to do it safely, we had to do a good job of it. I went out and I talked to the drivers, spent lots of times with the drivers in my committee that worked on this and that’s the way we do new things.

We go out and test them if we can and we get the viewpoints of people who are currently doing the job today, not just some people who did it some years ago, because there is a danger there you would know like … but I could have sat up at a national office and written up a procedure, it would have been 85% effective. You know but by getting down there and the whole organization knew what we were doing it and we communicated we were doing it and what we were finding out, because they’re all interested. You know what’s going on down there, we’re going to be doing this, yeah so we communicated a little bit, but they also knew we were working it out with the drivers and the center managers and the centers that had to deal with it.

By the time it was over, I came back and said, “This is the right thing to do.” You know we are really disserving our customers because we were returning to many packages and we were running our cost on top of it, because we were returning everything free. You know to get through all that, the economic was right but the service thing was right too and that was the one that surprised me a little bit. I rode with drivers when they made deliveries, you know I went and asked people, “Would you mind if we left the package?” Gee I think you’re crazy, you know coming back two and three times, trying to catch me at home. I don’t know why you do that.

I started getting that from some people, [inaudible 02:30:55] and everything out here you know. We ended up with rules and the rules were such things like a certain zip codes and department areas that you can’t do it. If the package could be left out of weather so rain wouldn’t bother that’s the [inaudible 02:31:11] … if it cannot be viewed from the street sitting there you know and you can’t do it in apartment buildings or you can’t do it in condominiums or multi entrance places. We took out the risk places and then we found out with the vast majority, we could do that way and it worked out well.

Any new procedure we do that affected lots of people, we would get a committee together and it would be first line supervisors, we might even have some allied people on it, as well as people of various levels. They’d typically come to the national office as the project team and I had as many as … well probably, 4 or 500 people on projects at a time, various projects in corporate office doing things like that, putting together the best way to do it, so that when we were ready to roll it out, we knew it would work, we’d tested it, the organization knew we’d done it and because we believed in it and we had the training materials done right, because we developed them as we were doing this, they would install it from day one near perfect every time.

That’s the advantage, the disadvantage it takes more time, it’s a little bit expensive to put it all together. In my opinion you got it back with efficiency and with the people’s will power to make it work, because they believed it was the right thing to do and it had been well prepared. That’s the way we run the company and do it still today. Well you know, I think about my career and some of the things I learned along the way and they seem like I should have known them, but I didn’t for some reason and I don’t know how typical I am, but I think I am somewhat typical.

Things like, I thought a manager managed and gave orders. This is what we’re going to do, this is how we’re going to do it and this is when it’s going to be done by. Those aren’t bad criteria, they’re bad if that’s the way you do it though in that kind of a process. I learned you’ve got to give people time, to understand and to buy in and to believe in what it is you’re trying to get accomplished, to the extent you can make them almost feel like it’s their idea, your success rate goes soaring higher. It’s a group community kind of way to get things done and it sometimes takes a little longer to do that, but it is the best time you can invest in getting people to believe that they’re doing the right thing.

That’s a very important and that applies in nonprofit work, it applies in UPS, it certainly applies in politics in our opinion, we don’t do enough of that politics. We don’t do the information part, so the sides get further and further apart and when they do get together, they’re like this instead of like this, open to hear and listen. There’s no trust; so you’ve got to get trust in any of those areas that I’ve just mentioned, that’s the most important thing you can do. If you can get the brain power of all your employees, thinking about how they can serve your customers better and how we can do a better job, you’re so much better than them waiting for somebody having to talk, to think about a problem and tell them what to do about it. It just doesn’t work as well.

That’s the main thing I’ve learned in my entire career and it’s like when I was training early salesman. You know jumping in and making a sales call for them. Well it was needed. They need to see some good examples upfront, but soon they have to be able to do it. You have to be able to let them do it and let them create their own approach to achieving the sale, so that’s very important. The other thing is that an organization is no better than its people, period. You can say this company exists to make profits for their share owners and that’s an important thing.

It’s one of the things a company needs to do, but if your employees aren’t with you, you can’t do that well. You may do it short term and you may cut some corners and be really successful for a short period of time, but if you want to be around for a while, your people have to be with you and you have to spend a lot of time with them and being fair with them, explaining things to them, being transparent with them, teaching them the economics of the company they’re in, so they understand why we do things the way we do them and even help us improve them. You’d like them to have an attitude that if they saw something that was really wrong in that organization, they could influence a main change, no matter where they were in the organization.

I always felt that way at UPS. In the lowest level, well if I saw something wrong and I did from time to time, I went to where I thought I needed to go. I was never discouraged from it. You know I said well, you know here’s why we can’t do it, where they said I think you’ve got a point there, maybe we fell asleep on that one, thanks. Then I might say, can I help you or something like that, to try to let them know that I appreciated the fact that they were going to look into it, but that’s very important in organizations. It gets overlooked by some people. I think in this day and age where we bring an outside leader to run things, you don’t have the background, the understanding of the organization.

Those people should be spending a lot more time than they do, getting to know the organization from the bottom up. I know a lot of them are in there and in emergency situations, I’ve seen it happen, where they’ll have to do things first, but you can’t shortcut getting your people with you, because that’s the true way to success. I do believe that organizations have a social responsibility and right now, this current day there’s a lot of arguments about healthcare and all that. I really think that society needs to figure out how to handle the damage, help the damage people who can’t help themselves.

Should put all the other people in positions where they can help themselves and get them there as fast as they can and not permanently aid them and the same way with employees. We have employees who don’t perform well. Our goal isn’t to fire them, it’s to retrain them and getting to a point we can concentrate on somebody else, who’s having some problems or work in areas that really needs attention. Those are very important. UPS’s reputation is very important, [Bryant 02:38:21] is important. We want people to think UPS is good for the country and the world and I think it is.

I think UPS contributes to helping the weak and helping the people that need help. We get involved in a lot of things that people don’t know about that are good things. It’s not generally known by the public that corporations do those kinds of things, in fact they’d be shocked if we ever really had a disclosure of all the things that are going on. In fact a fellow wrote a book and called me a couple of years ago and wrote a book about that. He was going to write about something else and he called me and he says, “Why can’t we get companies to do things?” and I said, “You’ve got a little while?” Then I sat him down and then I talked with him.

He asked me to write him, I wrote him several pages, then he wrote a book, put a chapter of my recommendations in it. He was amazed. He said, “If you write that know people were doing, all I hear is a buzz of stuff about these guys. That doesn’t mean they’re perfect, that doesn’t mean that corporations can’t do more and shouldn’t be doing more, I think they should and some aren’t as good as they ought to be, but there’s a lot of good things going on out there and there are more that can be done and should be done.

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