

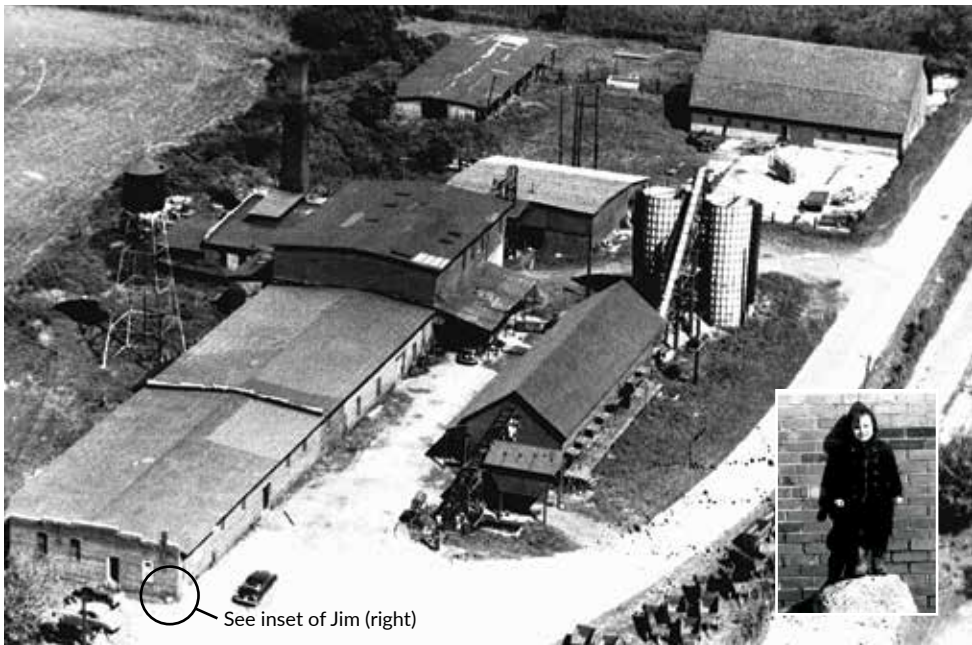
A black and white close-up portrait of a middle-aged man with short, light-colored hair. He is resting his chin on his right hand, looking directly at the camera with a thoughtful expression. The background is dark.

Applied Wisdom

Bad News Is Good News
And Other Insights That Can Help
Anyone Be a Better Manager

JAMES C. MORGAN

with Joan O'C. Hamilton



Clockwise from top: Morgan & Sons Cannery in the 1940s. Those are corn wagons in lower right corner and the structures where we husked, cut, stored, canned, packed and shipped our harvests of corn and green beans; That's me standing on the rock near the office, around age 5 (inset); Our cannery workers put in long hours of physical labor; My best friend Joe Beardsley and I rode Tony the pony, with my dog Mac; My father, mother, and me in front of our house.

Early years

I'll begin with my family history as far back as I know it: The Morgans originally came from England and Wales and, at least along my father's family tree, many seemed to have had an adventurous and entrepreneurial streak. My great-great-grandfather, William Amsey Morgan, was born in Brisconshire, England in 1804. (That same year, Napoleon assumed control of France. Thomas Jefferson was President of the United States and he dispatched Lewis & Clark to explore what is now the Western U.S.). Within a few years, William left England for Pratts Hollow, New York, where he met my great-great-grandmother, Mary Moses. They had two daughters and a son named Lewis, who was born in 1836. According to a family history compiled by my late cousin Armour Morgan, when Lewis was about eight, William took him across Lake Erie and down the Erie Canal. They eventually landed in western Indiana and the town of Perrysville on the Wabash River. There, William bought and ran a tavern.

From his research, Armour reported that there were "Mills, Stores, Packing Houses ... and Shops" and soon, Perrysville's version of technological progress: "In 1850 a plank road was built west to Georgetown and wagons and carts brought lines of grain and hogs to be prossed [sic] and sent down the River to New Orleans."

Apparently William moved on west within a few years, but Lewis Morgan stayed in Perrysville; there, he married his first wife Anna Chenoeth, in 1859. During this period, the U.S. was expanding. The original 49ers had been streaming to California for a decade, and in 1859 the Pike's Peak Gold Rush began in Colorado. Opposition to

slavery was building, and within two years, the Civil War would begin after the Confederate States of America fired on Fort Sumter in South Carolina. Lewis was not involved in the war, but he “engaged in many businesses,” according to Armour, including “store, lumberyard, pork packing, beef slaughtering, and farming.” Eventually, he opened his own bank and owned 1000 acres of farmland in the area. Lewis had ten children with three wives and lived to age 90 (outliving all his wives). The family historian Armour was Lewis and Anna’s grandson. My grandfather James, born in 1886, was the son of Lewis and his second wife, Rachel.

James moved about nine miles downriver from Perrysville to Cayuga, Indiana. He originally had a lumber business – being near the Wabash River, he could transport lumber by barge. But James bought a local canning business with three partners in 1911, and then he bought the partners out a few years later. Early on, there wasn’t much equipment or capital involved. Morgan Adams Canning Co. (later Morgan & Sons Canning) consisted of a big brick warehouse and canning room and wooden processing sheds with holding bins and tables. James also owned horses to work his 500 acres of fields, and he hired workers who did the canning by hand during the annual “pack.”

My grandmother Mary, James’ wife, also was from Perrysville. She was treasurer of the company, and she taught piano to the children of Cayuga. James and Mary had two sons, John and Russell. Russell, my father, was born in 1911, and his younger brother John was born in 1916.

James started Russell and John early working at the cannery. My dad never stopped working at the cannery until we closed it down in 1965, except for four years when he attended Indiana University in Bloomington to study business. At IU he met my mother, Frances Jordan, who was from Mishawaka, Indiana, just east of South Bend. They married in 1932, and moved outside of Cayuga to a property called Knollcrest that was part of several parcels of land that Grandfather James had purchased through the years. Knollcrest was a fancy name in a town whose defining physical feature was its flatness. Many years later my wife, Becky, who is from Vermont, could not imagine that the slight rise we called the Knoll merited that description. I once asked if

she wanted to go to “the hill” to see the cattle. We got there and Becky said, “I see the cattle; where’s the hill?”

From everything anyone who ever met her told me, my mother, Frances, was a wonderful person – kind and well-liked. I have a picture of her in which she looks happy and has a very pretty, warm smile. Unfortunately, I have few memories of her, as she died from a cerebral hemorrhage when I was two years old. Her family also came from England. A relative on my mother’s side constructed a family tree reaching back several generations to a woman named Esther Brownell. Esther descended from two different Pilgrim voyagers on the Mayflower, Francis Cooke and Richard Warren.

After my mother’s death, for a few years my grandmother Mary took over most of the duties of raising me. My father would drop me off at James and Mary’s home in the morning and pick me up after work (it was not unusual for him to work from 5 a.m. until 10 p.m. during the summer packs, so I spent a lot of time with Grandmother Mary). When I finally started school, I would walk a mile down a dirt road and stand by the edge of the two-lane State Route 63 for the school bus in the morning. After school I would either go to the cannery or to my grandmother’s house in town, where my father would pick me up.

Just a year after I was born, Hitler’s planes began bombing Poland and World War II broke out. The U.S. entered the war three years later, after the Japanese bombed Pearl Harbor. Food production was critical to the war effort, and my father stayed to run the cannery, but my Uncle John joined the U.S. Army and served with General Patton’s Third Army as a captain in the Quartermaster Corps. I remember as a young boy we followed the war over the radio and in the pages of *Life* magazine and *The Saturday Evening Post*. We’d occasionally get letters from Uncle John, who served in France and later in Germany. John came back to the factory in the 1950s, but then he moved to Florida.

My best childhood friend was the son of James and Mary’s next-door neighbors, Doc and Daisy Beardsley. Joe Beardsley was my first business partner. We picked sweet corn in the summer and piled it in a little wagon and sold it door to door. We also shot basketball at a hoop and backboard Joe’s dad nailed up to a light pole. Our “court” was

a sloping dirt patch and was messy in the winter, but we were happy to have it. Joe and I also started in scouting early and Joe's mother was our Cub Scout Den Mother. Later, his father was our Scoutmaster. Fortunately, they kept us engaged learning many practical skills and experiences and eventually we both became Eagle Scouts.

I liked school, and I especially enjoyed playing basketball on the school team. In fact, the Indiana small town of about 800 people where the basketball movie *Hoosiers* starring Gene Hackman takes place reminded me very much of growing up in Cayuga. In fifth grade, I remember I played 23 regulation team games. That was an impressive schedule if you consider that our league was made up of small town school teams scattered over many miles. Parents took turns piling the team into the back of a truck or station wagon and off we'd go.

Playing basketball helped give me court sense, or the ability to pay attention to more than one thing going on, predict where the opening or opportunity might be, and adjust to fast-changing variables. I have always liked basketball because it is an intense and fluid game: there is no standing around waiting for a pitch or lining up waiting for a snap. You have a game plan, but you have to adjust on the fly. You study your opponents' tendencies and focus on exploiting the opportunities as they arise.

“Court sense” is the alert, action-oriented posture that sports like basketball demand for success. In business, it means not only paying attention to your own agenda and actions, but realizing that a manager must learn to simultaneously track the movements and momentum of the entire team, the entire company, the competition, and driving forces beyond the present position of an organization on any given day. It’s critical to adopt an alert, ready posture, constantly reminding yourself to look up, look forward, and look around. A closely-related concept is that of “driving forces” and those sources of change that every organization must align with or risk being run over by. The better your court sense, the sooner you will see and adjust to driving forces.



Working on my 'court sense'

Between my own curiosity, my friends, school, and the factory, Cayuga was a great place to grow up. In the winter, for example, when a prolonged cold spell was expected, the local fire department would open its hoses on a stretch of four blocks on one of those famous “hills” (again, everything is relative). That would create a frozen track for local kids to sled down. As I recall, there was only one family in Cayuga that protested this, but they were overruled. Although the slope of the hill was tame, it’s hard to imagine a town getting behind something like that today!

Another fact of life in Cayuga was that every summer, Midwestern summer thunderstorms swelled the Wabash and Vermillion rivers. They often flooded and, depending on the timing and whether and where various levees and dikes gave way, it could have disastrous impacts on crops and also do damage to homes and businesses. A few times, the situation was so serious that the Military Reserves would use actual landing craft to rescue people who had been isolated by a flood.

The silver lining of the floods was that there was a big gravel pit near where I lived. The flooding of the Wabash would often fill those swimming holes with more water – as well as fish! During particularly heavy flood years, the waters would reach flat, lowland areas and create shallow bayous. My friends and I would go out with pitchforks and stab hickory shad, bass, buffalo, and sometimes catfish that the floods had stranded in ditches and fast-drying puddles.

Like a lot of agricultural communities in the U.S., our town had not experienced the Great Depression the way cities had. However, the bad economy overall had hurt the cannery’s business, and the can companies and banks foreclosed on my grandfather’s cannery twice during the Depression. But both times, he was able to get it back. More broadly, everyone had enough to eat. Everyone I knew had a garden. There was plenty of good fishing in the local rivers, and people routinely shot squirrel, rabbits, or birds. I don’t recall folks in town losing their homes.

When the U.S. finally entered World War II, it triggered demand for canned goods to help supply the war effort. That was the beginning of a prosperous period for our family business that lasted throughout the early 1950s. There was rationing during the war, but because of

the cannery, our family always had access to salt, sugar, and gasoline. I remember we did have to carefully lock it up, because those were basics many people couldn't get their hands on legally.

Russell remarried in 1946 when I was eight. I liked his new wife, Madeleine, who had grown up on a farm in Illinois. We shared the same birthday. At one point, my father was managing both our farm and factory, plus Madeleine's family's farm, which grew field corn, soybeans, and oats.

I think my stepmother hoped she and I would become close, but that did not happen. By the time they married, I was relatively independent. I did a lot of things Madeleine thought were too dangerous for my age, like swimming in the gravel pit or running my pony, Tony, around the farm. In fact, I was rarely home. I was closely bonded with my grandmother who lived in town, and since my best friend lived next door to James and Mary, I often went to their house after school to play with Joe and other friends. My half-brother, Edward, was born to Russell and Madeleine when I was around 10. That was a big age difference and I would soon go away to high school, so we were never close. Eventually, Edward joined the Air Force as a pilot. Russell and Madeleine divorced when I was in college. Edward moved away, and I lost track of him.

Madeleine did her best to make me into a proper young man. I resisted. We got along fine, but she almost didn't forgive me for a stunt I pulled one Christmas Eve. I was riding around with a buddy in his Model A pick-up truck and we drove near the gravel pit, which was frozen solid. We scraped off the top level of snow to slide on the ice and there, beneath the ice, we could see a huge bass. I don't think I'm using exaggerated fisherman's math when I say it was at least 17 or 18 inches long. In winter, pond fish would become starved for oxygen in the deeper water, so they would swim to just below the ice where there was a small cushion of air; they just hovered there, almost dormant. But they usually weren't this big! We cut a hole in the ice and reached down and grabbed that fish, and eventually pulled another ten from the pond. I was so excited that I went straight to the kitchen and cleaned my fish in the sink and made a terrible mess. For literally months afterward, poor Madeleine was still finding big fish scales dropping from the ceiling and walls in her kitchen.

Morgan & Sons Canning

As I later learned in business school, Morgan & Sons was a vertically integrated operation. We owned 500 acres of cropland and bought the harvest contracts on up to 1000 more acres. We canned two annual harvests of green beans and a late summer harvest of corn. After preparing the corn for canning, we took the cobs and shucks and chopped them up to make silage to feed the cattle during the winter. The cows, in turn, fertilized the soil. And then in spring we started all over, moving the cows to pasture and planting beans and corn.

I started working in the canning plant as a boy. Over time, I learned to do every single job we had to do, from working cattle from the saddle of a horse to overseeing the picking operation, to running and fixing equipment, to managing the complexity of a workforce that would accordion from 25 full-time, year-round employees to 200 people added to the payroll during canning season. My favorite job was running the field operation and harvesting the green beans and the corn. I'd be outside all day, sometimes 5 a.m. to 7 p.m., responsible for the field crew. My office was a green Ford pick-up truck and I had to understand the equipment and the people to do my job properly. Other years, I enjoyed learning all the key jobs inside the factory as well.

Canning vegetables might sound simple. To young people today, it might even sound boring. But keeping a canning factory humming demanded focus and good judgment. For one thing, as the equipment became increasingly complex and powerful, it also became more dangerous. Training the workers and making sure they followed safety procedures was important. A shirt-tail or a sleeve caught in the canning

line could lead to a serious injury; I saw men lose fingers or even a hand by being careless near gears and motors. It tended to make me cautious and further developed my court sense. To this day I see things from the corner of my eye and project the probability of an accident.

I once almost caused a serious accident myself. I was driving a brand of forklift called a Hyster to lift and move a stack of boxes filled with cans. I made the mistake of allowing one of the workers to ride on top of the stack I was moving. As I raised the stack, I tilted the front of the lift too far forward of its center of gravity and the stack and Hyster tipped forward. Fortunately, the stack caught on some of the canned goods already stacked, otherwise the worker might have been crushed underneath the load and the Hyster.

Also, field operations could be dangerous. On the farm during the corn harvest, green stalks and leaves would get wrapped around the corn picker rollers that separated the stalks from the ears of corn, which would then go back into a wagon pulled behind the picker. You'd hear a change in the sound of the roller as the stalks slowed down its RPMs. The rollers had to be freed up, and it was important to follow certain procedures. A constant risk was making sure someone didn't come along and turn the motor on, not realizing a worker was crouched by the rollers with his or her hands pulling the stalks out. Since I was responsible for my team, training and regular reminders of safe procedures were an important part of my job.

In a factory, on a farm, in a meeting, at a conference, you often will “hear” a problem before it becomes obvious. It might be an odd click on a conveyor belt, or it might be silence in a work team that is usually upbeat and confident. It’s human nature to want to rationalize and deny signs of concern, but that is the time to stop, assess, and do something about it. Emphasize finding a solution over assigning blame. Bad news is good news – if you do something about it.

Another critical lesson I learned at the cannery was to pay attention to small factors that could affect quality, and to motivate employees

to be alert for these potential issues as well. Quality is important when you manufacture any product. But in the food business, it takes on added importance because people are going to be eating what you make. A small misalignment in the physical canning process can allow air to infiltrate cans, ruin the contents and make customers sick. What's more, canning a product like green beans meant undergoing inspection, and the grading affected the price we would get. Cans would be sampled randomly for quality; perfectly edible food would be downgraded if it had a lot of blemishes or if it was edible but not considered to have the ideal taste. There were grades of product, such as "Fancy" for Grade A; "Extra standard" for Grade B; and "Standard" for the lowest grade. We usually sold the middle-grade "Extra standard."

From a young age, I realized that Morgan & Sons Canning was important not only to our family's income but to Cayuga's. We had one school in town that went from kindergarten to grade 12, and I attended school with the children of cannery workers. Everyone knew each other and I learned to be respectful of all employees, regardless of their position in the company or in town. Our 25 year-round employees labeled and shipped canned goods, maintained the factory equipment, handled the cattle, and planted each season's crops. I spent a lot of time with these key employees, who took on other duties running and maintaining various aspects of the cannery during the more intense packing seasons. They were patient teaching me the operation, which I appreciated.

MORGANISM

As a manager you are constantly being evaluated by your team on whether you treat people with respect and whether you walk your talk. These are crucial behaviors to become a successful and trusted leader. If you are disrespectful of your employees' intelligence or you disregard their humanity or dignity, they will not trust you, and you will limit your potential for success.

I learned in the cannery to be a good observer and a good listener. I didn't want to screw up! Packing was a linear process, so an issue anywhere along the line would impact everything happening downstream. I learned that when something unplanned happens, you must

address the immediate situation, but also think beyond it. For example, we often had to make a best guess about the impact of weather on our operation, from when to begin the harvest to whether we could fit some repair or other chore in before rain or snow would make it impossible. During the pack, a delay in the delivery of boxes or cans might mean we should shift workers' attention to loading inventory until it made sense to start up the line again. Similarly, keeping alert, listening to employees' off-handed remarks, or seeing unusual body language might head off distractions or even accidents. Regardless of training and reminders, some employees were not cut out to work with dangerous equipment; they might be competent doing something else, so you were constantly making sure employees were in a position to utilize their strengths and not let their weaknesses hurt them. I also learned that women were great employees, especially when the workplace had a feeling of family. Some jobs, like running the corn cutters, were mostly done by women. It was very important to show an interest by checking in periodically. Things seemed to go smoothly if I did.

Listening to and interacting with people at every level of the cannery also helped me throughout my life in having rapport with people, whether they were ranked well above me or they performed more entry-level jobs. At Applied Materials I had no tolerance for anyone who lorded their position or power over others. Nothing would land an executive on my bad side faster than me overhearing a "Don't you know who I am?" speech to an employee.

The meaning of good service

In the abstract, nobody ever argues with the idea that it's good to fix problems while they're still small. But it's also true that shutting down a production line in the cannery was never a decision we made lightly. Since we had to borrow money at the beginning of every packing season to pay the workforce, we could not afford to have workers standing around with nothing to do for hours while we tinkered with the machinery. Add to that concern the pressure that you are working with a fresh food product with a short shelf life — it will start to degrade if you don't process it according to a certain timetable.

Facing that pressure taught me the business value of offering the best possible service to your customers. In this case, my teacher for the lesson was the Continental Can Company technician Mike Travaglio, who serviced our equipment. During the pack, the pressure was “on” and typically, our factory would run two shifts a day, the first beginning at 7 a.m., and the second ending at 11 p.m. If you started to hear a funny sound in a motor, or if some misalignment in the canning or the movement of the line developed, we would have to make a decision to stop the line and call in the service team to fix it. It was crucial that when the employees showed up at 7 a.m. the next morning, they could immediately go to work.

Even as a teenager I was aware of Mike's devotion to doing a good, fast job for us. In all the years I worked around the factory, I do not remember ever missing a 7 a.m. factory start. Mike's dedication was crucial. He realized how important his immediate response was to our success, and he came through on every service call, every time. He wouldn't think twice about working on the problem all night. He wasn't just a service provider, he was a partner in our success. My dad would place half the orders we gave to Continental Can directly with Mike, even though he was a technician and not a salesman. I do not know if he received the commission as my dad intended. But we were loyal to Mike, and he gave us critical help at critical times as a result.

Many years later at Applied Materials, we made equipment that was crucial to other businesses being able to produce their products. Our global service commitment became one of the most important factors in our success. The equipment needed to produce semiconductor chips is incredibly complicated; the slightest misalignments or malfunctions will ruin an entire run. During the 1980s, for example, a common figure cited was that only 80 percent of the equipment made by the entire industry worked properly. Part of the challenge was that our customers were so anxious to get new equipment and take advantage of any competitive advantage in a new product that they begged us to ship the equipment before it had been thoroughly tested and fine-tuned. This was a constant source of tension for every company in the semiconductor equipment industry, because after making these demands,

the customer would then make even more service demands if the equipment did not perform perfectly when it was installed.

We battled those pressures better than many competitors because we were committed to making sure our customers were as confident in our desire to help them succeed as my dad was in Mike Travaglio to get our canning line back online. I felt like it was useful for me to be able to talk to our service people about my experience at the cannery with Mike. It built trust. I realized the effort it took to satisfy customers. But our service teams knew that if they got a call about a problem, they were authorized to do whatever it took to help our customer immediately. It was not unusual for us, if there was not the critical technical specialist nearby, to have somebody on a plane to a customer's location anywhere in the world within a few hours of hearing that the customer needed help from us to get back on track. We realized that our customers relied on us as a vital link in a chain. When you take the customer's issues and pressures as seriously as you take your own, you will have a long and productive relationship. We built a culture at Applied Materials where everyone understood this.

MORGANISM

If you approach all your business relationships and collaborations with the attitude that your partner needs to be successful for you to be successful... you will be successful.

When I began taking on more responsibility at the cannery, I was fortunate that my father would take the time to explain to me the big picture of topics like customer service. My father and I got along very well. He conveyed that he had confidence in me, and that allowed me to have confidence in myself. He and my grandfather also set a good example of treating everyone with respect. This is not a value you realize you're learning at the time it's taking root. You just act a certain way and you're corrected if you act any other way. We did not treat people differently based on their educational level or social status. The cannery employee who first taught me how to drive was a man who was on parole from prison. Working at the cannery was the only job he could get, but he was very capable. We never talked about his past or

what he had done to be incarcerated; he was judged on his job performance, which was good.

Respect for competence was a key element of the culture we created at Applied Materials. We built an exceptionally diverse workforce with top engineers and other functional skills that represented many ethnicities: Indian, Chinese, Vietnamese, Mexican, Japanese, Israeli, Iranian, Russian, various European, and others — and including both men and women. In Japan, our willingness to hire capable women was a competitive advantage in a labor market in which it could be difficult for foreign companies to compete with Japanese companies for top university graduates. As I will explain, I would occasionally “porpoise” in on meetings and sit in the back of the room. I noticed these brilliant employees leaning in and listening very carefully to what was being said. Our meetings were in English (although they might be conducted by someone with an accent), but it was clear to me the employees did not let that faze them. They concentrated on the essence of the ideas. That reinforced what I think of as a “listening culture” that was not necessarily common on Wall Street or in more sales-oriented companies that valued aggressiveness.

Because of the high level of competence we insisted on in hiring, our employees knew it was worth making the effort to pay close attention to each other; we all had something to learn from one another. Not all companies successfully managed global diversity at the time we were building Applied Materials, but it became a real advantage for us.

At Applied, our “listening culture” developed organically because of all the languages our employees spoke, but a listening culture is always a valuable asset. You can have clashes between disciplines (marketing and engineering, for example) or you can have misunderstandings of agendas or motivations that prompt people to dig in and talk louder instead of struggling to be clear. As a manager, model and support calm, well-reasoned discourse — not bravado and yelling. That creates a respectful workplace.

An excerpt from:

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