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In this issue of Imprimis, two leading American businessmen discuss the true meaning of success. Kemmons Wilson participated in the College's Executive Speaker Series in September 1996, and Kent C. Nelson delivered the October 1996 Convocation address at Hillsdale.



What Makes for Success?
Kemmons Wilson
Founder, Holiday Inn



The Innate Power of the Individual
Kent C. Nelson
Former Chairman and CEO
United Parcel Service

I am often asked, "What makes for success?" I know that most people regard success as the attainment of wealth. But I think that the most successful people are those who take pride in their work, pride in their family, and pride in their country. It is great to attain wealth, but money is really just one way—and hardly the best way—to keep score.

As parents, we all try to share with our children the knowledge we have gained through our own experiences, which usually include many successes and failures. As an entrepreneur, I have also tried to pass on to my children the importance of business and economics and how each relates to the world in which we live. I am a very fortunate man in that my three sons are partners in my work and they appear to have learned their lessons well. My only problem now is that I have to listen to *their* advice.

(continued on page 2)

What is the single greatest aspect of the American creed? What is responsible for the greatness we have achieved as a nation? What will guarantee the success of our generation and generations to come? I believe that the answer to all these questions is the innate power of the individual.

Back in the days of Teddy Roosevelt, Americans used to talk about the virtues of "rugged individualism." But times change, and more recently, in the 1960s and 1970s, it was: "Do your own thing." And now, on the threshold of a new century, it is: "In your face!" This is reverse evolution. Our culture is distancing itself from the high principles that guided us so well for so long, and we are all paying a heavy price for it. All three of the phrases I just cited affirm the supremacy of the individual, but with vastly different attitudes. In Roosevelt's

(continued on page 4)

(Wilson, continued from page 1)

That was not the case back in 1951 when I took my wife and our five children on a vacation to Washington, D.C. Those were the good old days when the children still had to mind us and listen to our advice. A motel room only cost about \$8.00 a night, but the proprietors inevitably charged \$2.00 extra for each child. So the \$8.00 charge soon ballooned into an \$18.00 charge for my family. If we could get a room with two beds, our two daughters slept in one, and Dorothy and I slept in the other. Our three boys slept on the floor in sleeping bags. Sometimes there was a dollar deposit for the key and another dollar for the use of a television. This made my Scotch blood boil, and, after a few nights, I told my wife how unfair I thought all the extra charges were. They did not encourage couples to travel, especially with their children.

I was active in the construction business at the time, so I also told her that building a motel, or even a hotel, was no more difficult than building a home. I was seized by an idea: I could build a chain of affordable hotels, stretching from coast to coast. Families could travel cross-country and stay at one of my hotels every night. Most travel in 1951 was by automobile, but without the benefit of

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the interstate system we are so familiar with now, so this kind of service would be unique. Dorothy asked me how many hotels I thought it would take, and I threw out the number 400. She laughed and said it couldn't be done. Now, my mother, who raised me alone after my father died, had instilled in me the belief that I could do anything if I worked hard enough and wanted it badly enough. At that moment, I wanted it desperately just so my wife wouldn't laugh at me.

I learned a lot of things on that vacation. I measured the bedrooms and bathrooms in every motel in which we stayed, and by the time we returned home, I knew exactly what kind of hotels I wanted to build. I learned a few things from my kids, too. When you travel with five children all under the age of eight, you

learn, for example, about the vital importance of a swimming pool. Have you ever stopped at a motel or hotel with your children when their first words weren't, "Make sure it has a swimming pool"? I also learned about the importance of having a doctor and a dentist on call. One of our children fell ill with a toothache and another one had a high fever. We had to use the telephone book and make a number of calls in order to track down professionals who were willing to help.

Features that we take for granted today were ones I determined would be standard in my hotels: free televisions, in-room telephones, ice machines, and restaurants. And, of course, children would stay free.

At home in Memphis, I showed a draftsman named Eddy Bluestein the lists and diagrams of what I wanted. Several days later, he brought me his rough sketches. On the first, he had sketched out in script the words, "Holiday Inn," a fictional name he had seen in a Bing Crosby movie the previous evening.

I heartily approved, and the first Holiday Inn opened in Memphis in 1952. Before it was finished, there were others under construction in the three remaining corners of the city. I wanted to make sure that motorists could not drive through Memphis without passing at least one Holiday Inn. By the end of 1953, all four hotels were open for

Kemmons Wilson quit high school during the Depression when his mother lost her job. He began making money by selling popcorn outside theatres. In 1952, he opened the first Holiday Inn in Memphis, Tennessee. Today, there are more than 2,000 Holiday Inns across the U.S. and around the world. Named by London's *Sunday Times* as one of the "thousand makers of the 20th century" and featured as the subject of a *Time* cover story, Mr. Wilson is rightly called "the father of the modern innkeeping industry."

He retired as chairman of the board of Holiday Inn in 1979, but he remains active in more than 60 business ventures in a wide variety of industries. ♣

business, but I had used up my savings and credit. That is when I started dreaming of franchising. I don't believe I knew the word at that time; I just thought that I had a great idea and that I could sell it along with my plans and specifications for a flat fee of \$500 plus a royalty of 5 cents per room per night.

To find buyers, I went to see my friend, Wallace Johnson. He was also in the construction business and was active in the National Association of Homebuilders. I showed him my figures and explained that all we had to do was get one homebuilder in each major city in the United States to build a Holiday Inn and we would soon have a chain of 400 across the country. We invited 100 homebuilders to a meeting and 64 showed up. We sold 12 franchises, and with the great sum of \$6,000 in additional capital, we thought we were off and running.

We were wrong.

Most of the homebuilders were too busy building homes to exercise their franchise option. Only three of them actually built one of our hotels. Worse yet, we discovered that there was no way we could sell the rights to build Holiday Inns as cheaply as we planned. After the first 15 franchises, the fee was raised to \$2,000 and 5 cents per night or 3 percent of the gross room sales. We also decided that we needed to attract investors. Holiday Inn's first public offering was 120,000 shares at \$9.75. Expenses only amounted to about 75 cents per share, so we ended up getting a check for a little more than \$1 million. This time, we really were off and running.

The 50th Holiday Inn opened in Dyersburg, Tennessee in 1958, and the 100th opened in Tallahassee, Florida in 1959. The first Holiday Inn outside the United States opened in Montreal in 1960. In 1964, we opened the 500th hotel in Johnstown, Pennsylvania. This was the idea—this was my dream. When I retired 28 years later there were 1,759 Holiday Inns in 50 different countries. Today there are over 2,000.

Sometimes the first step is the hardest: coming up with an idea. Coming up with an idea should be like sitting on a pin—it should make you jump up and do something. I have had a great many ideas over the years. Some were good, some were great, and some I would prefer to for-

get about. The important thing is to take your best ideas and see them through. Not all of them are going to be winners, but just remember, a person who wins success may have been counted out many times before. He wins because he refuses to give up.

My own success was attended by quite a few failures along the way. But I refused to make the biggest mistake of all: worrying too much about making mistakes. A man who never makes mistakes is the man who never does anything. I have made as many or more mistakes than most people, but I always try to learn from them and to profit from my failures. It is stupid to make the same mistake twice, but I have done it many times. What has saved me from despair is the knowledge that, as the late Norman Vincent Peale once said, "Enthusiasm makes the difference." He was right. Enthusiasm is the most contagious disease in all the world, and it is a disease that cures instead of weakens the patient. Very little in this world has ever been achieved without enthusiasm.

I also believe that hard work has helped me

to overcome my mistakes. The freedom to work is second only to the freedom to worship. Work is the master key that opens the door to all opportunities. If a person truly knows what he wants out of life and is willing to work hard enough for it, life will pay its richest rewards and greatest dividends. Work is not man's doom but man's blessing. A 40-

hour week has no charm for me. I'm looking for a 40-hour day.

I have worked in boom times and in recessions, in the Great Depression and in time of war. Our government has been led by Republicans and Democrats, conservatives and liberals. Through all, I have seen our free enterprise system survive and provide the economic means to build the greatest society in the history of the world. I suppose such observations makes me seem like a fellow with a lot of old-fashioned, corny ideas. Indeed, that is just the kind of fellow I am. I can prove it too, by quoting one of my favorite pieces of inspirational literature. I came across it years ago, and I still think it is the best way to sum up what makes for success:

The freedom to work is second only to the freedom to worship. Work is the master key that opens the door to all opportunities.

For best results, this garden should be planted every day:

Five rows of "P" eas:

*Preparedness,
Promptness,
Perseverance,
Politeness,
Prayer.*

Three rows of squash:

*Squash gossip,
Squash criticism,
Squash indifference.*

Five rows of lettuce:

*Let us love one another,
Let us be faithful,
Let us be loyal,
Let us be unselfish,
Let us be truthful.*

Three rows of turnips:

*Turn up for church,
Turn up with a new idea,
Turn up with the determination to do a
better job tomorrow than you did today. ▲*

(Nelson, continued from page 1)

time, the rugged individual was admired for being self-reliant, decisive, and determined. He was someone who saw each challenge as an opportunity for improvement. By the 1960s and 1970s, the economic and material success of the United States had spawned a generation that demanded—and received—a license for self-indulgence. By the 1980s and early 1990s, we had elevated self-indulgence to an art form.

"Situational ethics" and moral relativism replaced the bedrock American values of honesty and fairness. Advocates once promised that these new values would lead to unprecedented peace and tolerance. Not too surprisingly, they have brought about just the opposite. But not everywhere. Some pockets of peace and tolerance as well as civility and optimism remain. One of them is Hillsdale College. This is an institution that all Americans ought to revere for its unwavering commitment not only to independence but to traditional, time-tested values. Here is a bastion of freedom for individuals who seek truth and wisdom among competing ideas.

It hasn't been easy. Hillsdale's insistence on independence has not gone over well in Washington,

D.C. There appears to be widespread resentment among bureaucrats that Hillsdale long ago achieved, through independent action, the goals of diversity and personal opportunity that still elude the government, with all its resources, tax money, and enforcement powers. It happened because the individuals who organized this college put purpose ahead of process. Their pioneer experience and religious faith taught them right from wrong, and they acted courageously to defend their beliefs.

In his book, *The Death of Common Sense*, attorney Philip K. Howard attributes many of the problems we have as a society to our willingness to subjugate purpose to process. "It once existed to help humans make responsible decisions," he writes, "[But] process has now become an end in itself." As a result, pharmaceutical companies spend more on forms and paperwork than they do on all their research for cancer and other diseases. And children in the inner city miss out on badly needed educational programs for years while bureaucrats quibble over such details as room dimensions that do not conform to government guidelines.

At my former company, UPS, we know a lot about process. I don't think there is another organization anywhere that is so good at devising the best way to move something from A to B to C. But all our processes at UPS serve larger purposes—not the other way around. That's the way it is when you're in competition with other businesses. Like the pioneers who founded Hillsdale, the founders of UPS had a clear purpose in mind. One of them was Evert McCabe. His principles and ideals are honored at Hillsdale through the establishment of an endowed chair in economics that

Kent C. Nelson became United Parcel Service's chairman and chief executive officer in 1989 after working for the company for three decades in a variety of positions from chief financial officer to executive vice president and vice chairman. He retired in January 1997. Mr. Nelson has also led a number of philanthropic initiatives as chairman of the UPS Foundation, chairman of the Annie E. Casey Foundation (the world's largest foundation dedicated to helping disadvantaged children), director of the United Way of America, chairman of the Partnership for Kentucky School Reform, co-chairman of the Atlanta Chamber of Commerce Education Committee, and board member of the Business Roundtable and Emory University's Carter Center. ▲

bears his name. McCabe believed that the innovative power of enterprise can lead to tremendous achievement and growth. The history of UPS proves him right. His partner, Jim Casey, saw that the real sinews of the organization would be its people—and he believed the power of the individual was limitless. “Within each of us there is a mysterious, innate force that drives us onward,” Casey once said. “It wants us to do better and be better...If you utilize that inner power to the limit,” Casey concluded, “nothing on earth can stop your progress.”

Almost from day one, UPS operated in a competitive arena. That heritage of competition has served us well. We have been able to offer customers an alternative to the United States Post Office for nationwide small package delivery. In recent years, we have been challenged by some relative newcomers to the distribution industry. Today, we face a host of niche companies trying to nibble away at targeted segments of our business. Vigorous competition has caused UPS to transform itself over the past decade. We have virtually reinvented the company and made it the world leader in package distribution. UPS is also a highly regarded innovator in transportation logistics and information technology.

It seems that the harder we compete, the more determined, innovative, and successful we become. That's true in every field of human endeavor, not just business but sports, politics, education, music—you name it. There is no need to fear competition. Only those lacking in confidence try to erect barriers to freedom in the marketplace. If you want proof, just look at places where competition is absent and see the result. Not long ago, the president of the Michigan State Board of Education and the president of the Chrysler Corporation co-authored an article in the *Wall Street Journal* called “The Key to Better Schools.” They wrote,

Public schools too often fail because they are shielded from the very force that improves performance and sparks innovation in nearly every other human enterprise—competition.

In business, in the professions, even in

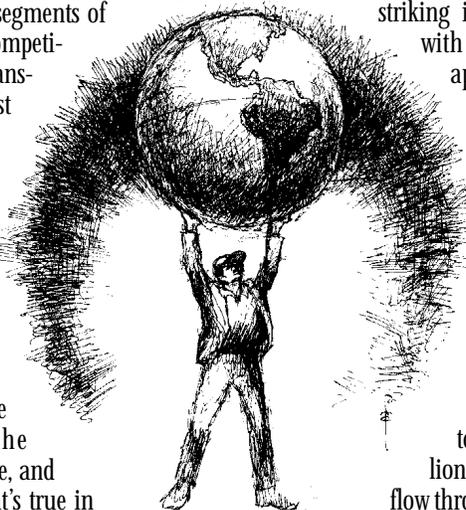
our private lives we rarely muster the courage to improve performance without external challenge.

I like to think of UPS as 330,000 rugged individualists who see opportunity in every challenge: The plane from Alaska is late getting into the UPS air hub in Louisville and misses the scheduled shipment to the west coast. Call out the charter jet to take one package that originated in Asia to its destination in California so that tomorrow morning 500 assembly workers will have material for the day's production. The freight train in New England is to depart at midnight, hours before the last UPS container shipment is expected to be loaded. Round up an emergency crew to help meet the deadline. These are examples of actions taken by UPS managers—on their own initiative—to serve the purpose of our business.

It may surprise you to hear about such striking individuality in a company with so uniform an outward appearance. Our corporate culture actually encourages our people to take personal charge of their part of the business. UPS employees are empowered; they are able to use their best judgment to make important decisions without waiting for a stamp of approval from a committee. On average, twelve million packages a day enter and flow through the UPS system in more than 200 countries and territories around

the world. We have 147,000 delivery vehicles, a fleet of 218 aircraft, and 2,400 facilities all over the world—all connected to each other with very precise scheduling. When something goes wrong or a decision is needed, it is critical that the people on the scene have the authority to step in and take action. At the other end of the business, the people who are responsible for creating new service offerings have the autonomy to innovate, break with the past, and take us in new directions to give customers even more than they expect.

“Teamwork” may sound like a hackneyed term, but it really is key to everything we do at UPS. We all know that teams are only as good as the people that serve on them. I say with great pride that I believe our people are the finest in the industry. We hire the best we can find and then we train



them thoroughly and continuously, reward them generously, and involve them personally in our business. That's a formula for success in any enterprise. Our people, confident in their roles as individuals, have transformed our company by responding vigorously and imaginatively to competition from many different quarters. UPS has an outstanding corporate culture, structure, and strategy, but we truly owe our success to the innate power of the individuals who make the company work. Here is one testimonial from the thousands of letters we receive from customers:

Dear Mr. Nelson:

A few weeks ago the doorbell rang in the middle of the afternoon. Vanilla (my dog) ran to the door, and I could tell by her reaction someone she really likes was at the door.

I was surprised to see Oscar, our UPS man, standing at the door. He asked if I was okay and I told him yes. Then he asked me again and I assured him that I was fine.

He then told me that he was driving by and noticed that the screen was off the dining room window and lying on the ground. He thought that something was wrong. Oscar said he was going to call 911 if he had not gotten an answer.

I am so impressed that Oscar noticed that the screen was out of place and took the time to investigate. We are so lucky to have Oscar for our UPS deliveries.

We live in a world where we all rush through our day. It is nice to know that Oscar took the time from his busy route to investigate a potential problem.

If you ever try to take Oscar off this route, I can promise you there are several of us on this block who would protest. He is not just our delivery person, he is also our friend, and he is very much appreciated.

The letter ended with this postscript: "By the way, Oscar put the screen back on before he left!"

Every business ought to encourage the Oscars of this world—the men and women who don't just work hard every day but who put the jobs they do in the proper perspective and who live by the Golden Rule. It was Edward R. Murrow, the legendary broadcast journalist, who once observed that the competitive urge is a fine, wholesome energy, but only if the desire to win is wedded to an ideal, to an ethical way of life. Those of us who work in highly competitive industries love to win, just as professional athletes do. But during more than 35 years in the business world, I have observed that the people who care only about winning—who live and die by the numbers alone—end up losing out on the biggest prize of all. That prize is the joy of being an important part of something much larger than yourself. It is the comfort

of knowing that your actions will touch the lives of others in a positive way. It is joining with other people in working toward worthwhile goals. It is a prize that has nothing to do with winning or making money. It has everything to do with life. ♣

The Lost Papers of Ludwig von Mises

The personal property and papers of Ludwig von Mises, one of the greatest free market economists of the 20th century, were seized by the Gestapo after Germany's annexation of Austria in 1938. For nearly six decades, all was presumed destroyed. But the "Lost Papers" have been discovered, and copies are now at Hillsdale College. In October of 1996, Professors Richard and Anna Ebeling traveled to Moscow, where they were the first American scholars to gain access to the Lost Papers. With support provided by Hillsdale friends, Mr. and Mrs. Quinten E. Ward, and the cooperation of administrators and researchers from the Russian archives, they were able to



The historic discovery of Mises' Lost Papers has generated a huge response from scholars and laymen around the world.

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