

On Sunday, May 19, 1968 Mr. and Mrs. Austin Cushman gave a dinner party at their home honoring me on my retirement as a trustee of the Sears Profit Sharing Fund. All trustees and their wives were present except Mr. David Kennedy, then in Puerto Rico.

After the excellent dinner, Joe Cushman asked Charley Kellstadt, formerly chairman of Sears board and later of the Board of Trustees (and whom I had hired many years ago) to "present" me. He did so graciously and generously, after which Joe presented me with a Steuben glass Leaping Trout - perfectly beautiful. It is a treasure, of which I am very proud.

After thanking our hosts and all those honoring us on this occasion, on behalf of Carol and myself, I spoke about as follows:

It was 41 years ago this merry month of May when I came to work for Sears Roebuck and Co.

On that May morning Sears had in operation eight retail stores. Five of them were in the then five mail order plants and in addition there was the Chicago North side store, the Chicago South side store and Evansville. It had taken two years and three months to establish these eight stores.

My first job was to merchandise five divisions in these stores. And to do so there was an occasional opportunity to visit them, especially Evansville, the black sheep of the so-called chain. Several times that hot summer of 1927 I accompanied General Wood on an inspection of that wobegone store. By that time I had the impressive title of Retail Merchandise Manager so was free to walk through the store and make suggestions in all departments. These suggestions consisted mostly of recommending that winter clothing, blankets, etc., be removed from prominent places of display and in their stead, seasonable items such as lawn mowers, garden hose and washing machines should be brought out. In the meantime the General would be sitting in the manager's office interviewing each head of stock and taking copious notes of unsalable items, failure of supply, out-of-stock numbers of wanted items ---- and smoking cigarettes. (Those were his before-chewing cigarette days.) Once we were startled at hearing the fire engines outside the store. The General had tossed a half burned Camel cigarette out the upper window and it had landed on an awning and set it afire. Little damage resulted and the General kept right on with his interviewing. These notes of his, by the way, formed the basis of countless memoranda to the Supervisors which Miss Richardson dispatched in a hurry on the General's return to Chicago.

But the eight stores then operating formed but a small part of my job for we were planning the opening stocks for two stores in Los Angeles,

two in Detroit, two in Cleveland, two in St. Louis and others to be opened later in the year. It was a hectic period. None of us knew our jobs; we could do only the best we could and down right fatigue contributed to the unwitting errors so frequently made.

I remember reporting to the General after a visit to some newly opened store that the office was so far behind that the store was not discounting its bills to outside vendors. I thought this was monstrous. But the General merely said "Now, the time will come when failure to collect the 2% cash discount will be a major sin, but right now, there are more important matters to give attention to." I learned.

By the end of 1927, there were 26 stores in being and many more on the fire. Be it noted, that all these stores were in, or to be in, our large cities. They were to create plus business to our catalog sales. As the youth of the farms, -always our future growth prospects, -moved to the large industrial centers we must follow that movement, if we were to enjoy the business which the young people of the country would generate.

Then, early in 1928, those of us in the new retail end of Sears, received a severe jolt. Mr. Kittel, the president of the company, who had reported for duty on the same day General Wood came with the company as Vice President, suddenly died. Coming to Sears from the railroad industry, he had found the mail order business quite technical and quickly latched on to the new retail enterprise which the General was so enthusiastically pushing. He could learn that from the bottom up along with all the rest of us. Mr. Kittel's support of retail, topside, was of tremendous help in an environment where support of the retail expansion was by no means universal.

Who was to follow in the presidency? Would the old regime take over and if so what would be the fate of the retail? These were troublesome questions to those of use who had thrown in our lot in the retail end of the business.

Our concern was disposed of completely when the announcement was made that General Wood was to be the new president. That meant "charge" -- and charge we did.

Not many months later, a second block buster startled the organization. It is difficult, in this day, to realize the rivalry then existing between Sears and Wards. Catalog competitions was keen to the point in many cases of being bitter. Ward had chosen not to go into retail selling except for a few outlet stores for discontinued lines, etc. But of course Ward had been watching our expansion in retail and under a new administration, Wards came out with the startling announcement that they were about to go into retail selling and proposed a chain of stores to be located in towns down to as small as 5000 population. I think the announcement mentioned as many as 1500 stores but maybe my memory serves me wrong and that this was the number of cities and towns at that time having a population larger than 5000.

Be that as it may, Ward was going to put stores in mail order territory and not head for the large cities where we were becoming established. Did this mean that Ward was prepared to divert its catalog business into over-the-counter selling and if so, was it not likely that such stores would capture some, and maybe a large amount, of our catalog business in those same store localities? How were we as a company to react to this new policy of Wards?

I want to tell you of this very historic incident which has been largely forgotten in the remarkable developments of Sears retail in the past decades.

I must give you this bit of background. Concurrently with the General's assuming the presidency of the company, Mr. Otto Doering the tough and capable operating vice president of the company retired as did Mr. Max Adler the merchandise vice president. Lessing Rosenwald became operating vice president but would continue to make Philadelphia his headquarters. With the exception of Mr. E. J. Pollock, that grand old man in finance, the General had a new crew around and below him.

The great organizational strength of the company was at that time (and always will be) in its merchants. For the most part these heads of departments they were old timers, many of them approaching what we now consider the age of retirement. They were strong minded, arrogant, successful men. Many of them were rich, and some very rich. They operated independently of each other and were subject to little direction. They were lords almighty and for the most part they little relished the added work and responsibilities of the retail selling about which many of them were strangely ignorant.

At this crucial moment, following the Ward announcement, the new President of the company called a meeting in his office of these Division Heads, later called Supervisors, and now National Merchandise Managers. I had never known of a gathering of these men -- for there was little reason for doing so -- and I had never heard of them being called together, certainly not in connection with a matter of grave company policy.

I like to think back on the composition of this group on that historic occasion:

Findley - of furniture

Metzenberg - jewelry

Asher - stores

Walters - of whom Mr. Barker told the famous belt story. (I could tell others.)

Reynolds -

Felsenthal -

Gilbert Alexander - one of the first friends of retail

Stearns -

Mr. Hoke - the grand old man of paints

Kuchel - of modern homes

McCarthy - of plumbing

Stambaugh - of farm implements

Channcy Williams - of pipes, corsets and millinery

Westrich - of tires and batteries

These are some of the warlords who come to mind. Let no one think they were not men to reckon with as they sat before their roll-top desks while keeping a young man such as I waiting in their outer office as they finished reading their trade journals.

When they were assembled in a circle of chairs brought in for the purpose, the General stated the situation brought about by Ward's announcement. How, asked he, should Sears respond?

Hesitantly, at first, one after another spoke up. The enemy had challenged us. We must meet that challenge as we always had. Fight fire with fire, was the burden of the concensus. If Ward was prepared to

divert their mail order sales into retail, we must protect our catalog business and if this meant we must have retail stores to compete with Ward's retail stores then so be it.

The meeting broke up in a fighting spirit. The General had a clear mandate from the great merchants of the company to meet the competition on its own ground.

I had a feeling that the motivation in many, if not most cases, was a defense of their own mail order businesses. They wouldn't tolerate this going to Wards. There was little realization, at the moment, of what was involved in the way of finances, organization, personnel and hard work if we were to expand in retail as Ward had indicated they were planning to do.

And I had another impression. I sensed a joining up of forces, an implied need to unite in a common cause that mail order hadn't required but that retail demanded.

I tell this story for its historic significance. It is possible (later confirmed) that there are now living only two people who were present at that meeting -- General Wood and myself.

The Sears as we know it today was born of the vision of General Wood and this fighting spirit generated at this meeting.

In the days that followed, the General called together the small group of us then concerned with the retail. This was a more somber gathering. The task before us was outlined and the battle lines drawn. We, better than the merchants, were aware of what was involved, and dealings with these very merchants was part of the problem.

At this point may I digress. In my dealings with these men on merchandising problems, I sometimes reached the point of desperation. I

just couldn't budge them, and if I did, I found they would circumvent me in ways they were master of. I would appeal to the General and he invariably calmed me down. How well I remember his saying- "Penn, the smart ones will learn how to operate with the retail; those who don't, we'll retire. But remember, they can prevent us from making grave errors in the markets."

By the end of 1928, we had 192 operating retail stores and in the spring of 1929 there were times when we were opening a store a day.

Ward showed their hand quickly. They had a standard retail store -- standard front, standard layout and standard merchandise assortments. It was a mad scramble to see which company would get where first. Had they, or we for that matter, known what kind of a store the American public wanted of us, certainly Ward's plan of repetitive units was the most efficient way of getting started. But they didn't know and countless mistakes followed from which that company is suffering even today.

With us, scarcely two stores were alike as I knew in trying to prepare opening stocks. Each had to be tailored to the size of store leased or its location. Bud Gray, the present distinguished chairman of Whirlpool, then one of my assistants, came to me pleading to have an investigation made of each town finding out about competition, needs, etc., before we planned opening stocks. Here I had to calm him by saying that of course he was right, that such was the only rational way to go about opening a Sears store but that there just wasn't time. This was war, we'd have to correct our mistakes as we went along.

The story that Mr. Barker told a few weeks ago, picks up the retail scene at this point. Chaos existed certainly. Gradually we took out the six brassiers from a hard line store and added some more numbers of hammers.

The Supervisors had finally come to life and each wanted his line represented in every store -- regardless of size. Eventually the stores became classified (they hadn't been at first) into A, B and C and then variations added. We learned that a store must have a character in each community -- a place where you could expect to find certain lines of merchandise only. The wanted items just had to be in stock, which too often was not the case.

I must not dwell longer on these reminiscences.

The depression of the early 30's served a great need for we had to slow up, look at ourselves, correct our faults and get established, community by community, on the right basis for progress and profits. To the everlasting credit of the organization, this we did.

And since this is a very personal evening. I may be excused for going on with my career, if it may be called such, from this point.

In the depth of the depression, Mr. Myron Taylor, chairman of the U. S. Steel Corporation asked me to see him. After ponderous exchanges, he asked me to come to the head office of the corporation at a salary several times what Sears was paying me after several depression cuts. General Wood who had been kept informed of these negotiations agreed that this might be one of those rare opportunities which a man should risk taking. With high hopes, but not great enthusiasm, I accepted and in 1933 left Sears.

At the end of a year I had become greatly disillusioned. I did not find I was in sympathy with many of the Corporation's policies and attitudes. Although my relations with Mr. Taylor were extremely cordial and I had rapport with him, nevertheless with the great mass of the management I found little in common, be it their attitudes toward Government, toward

the public and particularly toward the personnel of the organization, both rank and file and management. I had about made up my mind to leave when the General sent for me and wanted a progress report. I had several delightful meetings with him at his home and he eventually said that if I decided to leave the Corporation and would let him know by a certain date, Sears would like to have me back.

Now this was not a usual happening and when I left the company to join the Corporation I knew it was for keeps as far as Sears was concerned.

My final interview with the president of the U. S. Steel Corporation was amusing. "But no one ever resigns from the Corporation," he said. "Yes," says I, "this is unfortunately true but I don't feel secure here." "Why of course you are secure," says he. "No," says I, "I don't feel secure when I am not earning half my salary. I only feel secure when I think I should be paid twice what I am getting." He said, he had never heard of such reasoning and offered to take me as his personal assistant. And to be Assistant to the President of the U. S. Steel Corporation was -- and still is, I dare say -- not to be turned down lightly. But I did resign and after some 20 months I found myself back with Sears. (But not at my U. S. Steel salary!)

My next tour of duty with the company was as Supervisor -- and Charlie (Kellstadt) has mentioned this period of my experience.

And next to our factories. Sears then owned many small manufacturing plants and had a financial interest in many more. I think I can say that from any organization point of view, they were just about in as drastic state as the retail stores were when Mr. Barber commenced his story of our retail operations. Many of them had ceased to perform their original purpose and had to be eliminated. Others required reorganization. And

our relations with many of the important affiliated companies needed improvement. The General never failed to back me in making or authorizing capital improvements but more than this was needed to properly take advantage of the great potential in a sound integration of manufacturing with mass distribution. Fortunately, Ted Houser and I saw eye to eye on much that had to be done.

Progress was made in creating sound, low cost manufacturing units, be they wholly owned or our great affiliated companies. We built on the principal that Sears was not a holding company and that investments in manufacturing should be made only when such investments served the merchandise needs of the company as no other way would. We insisted that the merchandise price must include proper amounts for research and development and for modern equipment and facilities. If the General was not always enthusiastic about the manufacturing profits he would admit that it was best to permit the merchants to offer the best values possible, thereby maximizing consumer sales and hence factory sales with the profits to be divided on a tough negotiating basis. I was interested in building equity in these properties and history has shown that this was done.

With the coming of the war, we could and can take satisfaction that our manufacturing companies, owned and affiliated, were in shape to take on our share of the War's requirements and hundreds of millions of dollars worth of goods were turned out for the country's needs, and many E flags earned.

To turn personal once again. The reconstruction period was well along and the factories were doing well with great things ahead. I was within four years of the then retirement age when again I was asked to leave. I loved my job; it was ever changing and relations with the

merchandise depts were good (as good as they can ever be between seller and buyer!).

This time it was the Massachusetts Institute of Technology who asked me to establish there a new School of Industrial Management which generous donations from Mr. Alfred P. Sloan of the General Motors Corporation, was to make possible. I had always maintained close ties with the Institute since my graduation and had served on many committees and at one time on the Corporation of the Institute, but to take an administration post at M. I. T. was about the last thing that ever had entered my mind. Later on, I was often asked by students why I had left a good job -- and it was a good job -- to take on such an assignment. I found it a difficult question to answer. Perhaps, I would say, because it offered a great challenge. A mountain which had to be climbed, or the attempt made.

I was as unprepared for what was ahead of me as I was when I entered M. I. T. as a freshman nearly 50 years before. Certainly I had no blue print for a School of Management. I had never taught. I once said to Dr. Compton that maybe I might have been willing to enter a new profession ten years before but wasn't this too late? He replied by saying that maybe they wouldn't have wanted me ten years ago!

With the approval of most of my associates I made the change. I carried with me an abiding faith, based on my own experience, largely gained at Sears, that it should be possible in a school of management to pass on from one generation to another some of the knowledge about management which had been accumulated, to teach ways of going about things, to go from the known to the unknown, which would enable young men interested in management -- in getting things done through people -- that would speed up their ability to assume responsibilities on their climb up the ladder

of executive leadership. Management to me has always been a high calling.

With this faith I started, little knowing the frustrations and disappointments that were bound to issue. Early in my days as Dean I set as my goals the following: Nothing but excellence in the faculty to be chosen could possibly bring into being a school such as I had in mind. We would not build programs aimed at the first job the student might seek. Rather we would build on what we believed would be enduring and serve him throughout his career. I sought earnestly to avoid the school acquiring a label in some particular phase of management such as "operations research", "finance", "production" or "labor relations". In my early days I had learned the dangers of such labels as "scientific management" and the disrepute which that cult under that slogan acquired was something I was determined to avoid.

From small beginnings the School began to take shape and extend its influence and effectiveness. Today, some years after I knew enough to retire as Dean and turn over its management to youth who would provide a second rocket to thrust forward the satellite, it is a great satisfaction to see the acceptance the School has attained as measured by the success of its graduates and the ever increasing number of applications for admission at all levels.

I have had a very fortunate life. Luck has been with me. I have spent most of my career, if that it may be called, with two great institutions, Sears Roebuck and M. I. T. These two have more in common than at first appears. Each of them has been built on contributing to the development of the American way of life. Sears has succeeded because of its contribution to the standard of living of our people and in doing so has earned its reward in growth and profits. M. I. T. has produced

men capable of developing our great industrial society. Both have this in common; they have been headed by men of vision, who dared to risk, who had courage and were hardworking. And these were men of character. In Sears there was General Wood whom I consider one of the great men of this age, and Houser and T. J. Carney and E. J. Pollock and many others. At M. I. T. there was Karl Compton, Jim Killian, Julius Stratton and now Howard Johnson. (Who, by the way, Charley, was another of my boys who made good!)

I have been fortunate to have spent my life in the company of such men.

But throughout these 41 years -- every one of them, if you scratched me, out would come good, red, Sears Roebuck blood!

Someone has said there is a story book in everyone of us, were it to be told. Tonight marks the close of one of the later chapters of my "book". Perhaps I have been too personal in telling of some of my experiences with Sears and elsewhere, and if so I plead guilty to taking advantage of this captive, but delightful, group on an occasion which means much to me.

I thank you for listening to so much about Penn Brooks and for the honor of this night.

E. P. Brooks

June, 1968