

The 400 Heads of H. Geneen

By John Henry

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In a starkly modern and antiseptic room on the top floor of a Manhattan skyscraper occupied by International Telephone & Telegraph Corp. is a horseshoe-shaped table that can accommodate 90 persons.

On the table in front of each chair is a microphone and a water pitcher. There are no windows in the room, whose only decorative touch is the letters "ITT," perhaps three feet high, which adorn one wall. The temperature is a bracing 65 degrees.

So businesslike is the atmosphere that a visitor almost feels a sign saying "No Laughter Permitted" should be posted at the entrance to the room.

That ITT has taken pains to create a no-nonsense tone is understandable. For what goes on in this room plays a vital part in the life of the company

whose sales of more than \$8.5 billion last year made it the nation's ninth largest industrial concern.

The managers of ITT's diverse enterprises—a group that includes Avis Rent-A-Car, Sheraton Hotels, Scott lawn care products, and the makers of Hostess Cupcakes—are summoned to the room each month to undergo rigorous cross-examination about their operations from the company's hard-driving chairman, Harold Geneen, and other top executives.

In his new book, "The Sovereign State of ITT," Anthony Sampson describes the monthly meetings as "the central ordeal of the ITT discipline . . . for a newly joined manager—especially from a company newly acquired by ITT—the ordeal can be terrifying," he says. "There are stories of one man fainting as he walked in and of another rushing out to get blind drunk for two days."

The meetings are one of the safety devices that Geneen has installed at the company to help him spot disasters in the making in various corners of his empire, which contains about 400 companies. As he continually reminds his managers: "I don't want any surprises."

And, indeed, during the 14 years that Geneen has been at the helm of the conglomerate, there have been virtually no surprises in ITT's financial performance. The company's sales and earnings have surged ahead with al-

most monotonous regularity.

But there have been some things in the past two years for which the monthly meetings and the voluminous financial reports he demands of his executives obviously have not prepared Geneen.

Things like the big, black newspaper headlines that suggested possible links between a financial pledge to the 1972 Republican National Convention and an antitrust settlement with the government that allowed ITT to keep Hartford Fire Insurance Co., the largest single source of profits in the corporation.

Or the news accounts that told of ITT's attempt to manipulate the 1970 Chilean election, and of Geneen's offer of \$1 million to the Central Intelligence Agency for its aid in supporting a conservative candidate there.

Or the New York Times story late last week based on a notarized deposition from a former ITT vice president on file in the U.S. District Court which reported that the company as early as 1960 had devised a plan to extract campaign contributions from its executives and then reimburse them with corporate funds. It is illegal for corporations to make political contributions. When asked to comment on the documents, ITT said that in 1965 both the Senate Committee on Rules and Administration and the Justice Department had

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cleared the company of any wrongdoing, according to the paper.

Perhaps the most unpleasant surprise of all for Geneen is the fact that, despite ITT's unbroken rise in profits during the past decade, the company's common stock, which earlier this year sold for more than \$60 a share, has been trading recently in the neighborhood of \$30 a share, only a couple of dollars higher than at the end of 1963.

Because of the slumping stock price, two of ITT's proposed acquisitions, the book publishing firm of G.P. Putnam's Sons and Hydromation Filter Corp., fell through last May. It was the first time in memory that the huge conglomerate which had grown through takeovers of other companies, had been thwarted in a merger attempt for this reason.

Largely on the basis of ITT's truly impressive earnings record, Geneen has earned a reputation in some quarters as one of the great corporate chief executives of all time. As recently as last September, ITT's management structure and techniques, which have had considerable impact on the busi-

ness world, were characterized by Fortune magazine as being of a "very superior order."

But, as many observers see it, the fact that "No Surprises" Geneen has encountered in two years more bad surprises than many chief executives experience in their whole business careers indicates ITT's management may not be all that it's cracked up to be.

Take the matter of the slump in the price of the company's stock. Admittedly, as ITT insists, a major reason is the depressed state of the market in general. And, of course, there is the negative impact on the share price—what some company watchers call "the scandal discount"—of the unfavorable publicity the corporation has received about the merger with Hartford Fire and its attempt to intervene in the Chilean election. But another weight on ITT stock, in the opinion of many observers, is the uncertainty about what will happen to the company after the 63-year-old Geneen goes.

With a company the size of ITT, there should not have to be concern about the continuity of management. Yet, the heir apparent, 58-year-old Francis J.

Dunleavy, the company's president, strikes some as a person who, while possessing great competence, nevertheless lacks the innovativeness of Geneen.

At least one ITT executive is stingy with praise for Dunleavy. "He's not bad," says Robert Savage, vice president in charge of investor relations. He hastens to add, however: "He's not as imaginative as Geneen, but then nobody is."

Savage portrays Geneen as a person with whom other executives feel free to argue and often do, but author Sampson, who interviewed many past and present ITT employees has a different impression.

"It is the moment of fear that is the secret of Geneen's control by public humiliation of his executives at those monthly meetings."

To Sampson, "The company is misleading. It appears to be management by system. It appears to be able to survive the change of the top man. All those meetings conceal the fact that the company is really kept together by one man."