

October 25, 2014
WILLIAM G. KARNES
BEATRICE FOODS

William G. Karnes was born in Chicago on March 24, 1911. His father, who was a real estate broker in Chicago and Flossmoor, taught Karnes "The things that made for success in life-good character, determination, and stick-to-itiveness" (complete biography p. 15). After graduating from Thornton Township High School, Karnes received a degree in finance and banking from the University of Illinois. He then attended law school at Northwestern University, graduating in 1933.

Because of Karnes devotion to his work and Beatrice Foods, the only close relationship he had was with his wife, Virginia Kelly. Karnes said that his relationship with Virginia was essential to his success and often stated, "I couldn't have done it without her support" (complete biography p. 15). Virginia was also very successful, becoming a life trustee at Rush Presbyterian Hospital and the first woman president of the President's Council at Purdue University.

After graduating from law school, Karnes decided to turn down a job offer with an old, established Chicago firm. Instead he took a job, at \$110 a month, as a law clerk with Beatrice, where he knew that top executives were chosen from "the ranks of operating men" (complete biography p. 15). The policy of promotion from within the company was later "cited by Karnes as of great importance" (complete biography p. 27).

Beatrice founder, George Haskell, had built a strong company "which emphasized the constant quest for improvement" (complete biography p. 4). Haskell's philosophy was "Be interested in progressive work. Many improvements are being made in systems and methods and it is well to investigate them and adopt the best things in all systems that you can find" (complete biography p. 4-5).

Haskell used a decentralized management style. His belief was to "Try and interest the whole work force on cooperation; gain their confidence; treat them cordially and be interested in their welfare the same as we are in yours; give them the same courteous consideration that you would like to have given you" (complete biography p. 5). Karnes continued to use this management style after he became president of Beatrice.

After working for only three years, Karnes was named director of the new Employees Relations Department at Beatrice. This department "was set up to help plant managers deal with labor issues" (complete biography p. 16). Karnes was successful at union negotiation, and understood the importance of maintaining good management-union relations. While in this position, Karnes was able to completely change the attitude that Beatrice had toward unions. He convinced his superiors that they must learn to negotiate with rather than fight the unions. This new idea was adopted throughout the company, and management-union relations improved.

Karnes' success as director of Employee Relations was rewarded with a promotion. He became an assistant to the president and vice president in 1943, and was in charge of organizing a new sanitation program in 1945. This program was the first of its kind among dairy and food industries.

In 1947 Karnes was elected to the board of directors. He was named as Beatrice's first executive vice president in 1948. Beatrice's current president, Clinton Haskell, began grooming Karnes to succeed him as president in 1951. Haskell stated that Karnes' attitude toward people was a critical factor in his choice. Haskell said "Bill had the ability to get along with the many different type of people you have in this company" (complete biography p. 17). In 1952, Karnes assumed his position as president of Beatrice Foods, "shortly before the dairy industry began to be shaken by major environmental developments" (complete biography p. 17).

Karnes and his board of directors realized they needed to change company strategy because growth and profit margins in the dairy business were decreasing. New corporate sales and profit goals were set because Karnes anticipated mild, long run inflation. To offset this inflation, higher growth rates of sales earning and earnings per share were set at 6 to 7 percent per year. This growth rate was achieved by taking the cash flow generated by the dairy business, "a tremendous cash producer" (complete biography p. 19) with a low

profit margin, and investing it in higher profit margin food businesses outside the dairy industry. "This strategy was later discovered independently by the Boston Consulting Group and promoted by them under the name of Strategic Planning" (complete biography p. 19).

By following strict guidelines for making new acquisitions, Karnes was able to implement this strategy successfully. Another factor that contributed to successful mergers was that, in Karnes' own words, "We feel that each proposed merger is an individual situation. We believe that no two managements are alike. We are dealing with people. And people are what we really are seeking to add to our company. This goes back to one of our basic philosophies in mergers. That is, that we want the management to stay. No marriage can succeed if the other party isn't willing to live and work in the house" (complete biography p. 36-37).

After the implementation of this new strategy, Beatrice Foods grew rapidly. "During Karnes' 25 years of leadership, Beatrice averaged an annual rate of growth of sales of 13 percent, an average annual rate of growth profit of 15 percent, and an average annual rate of growth of earnings per share of 7 percent" (complete biography p. 1). In 1972 sales, net earnings, and earnings per share were up for the 24th consecutive year. Only 4 other companies traded on the New York Stock exchange had that record of growth.

Although new acquisitions contributed to the success of Beatrice, the expansion of regional companies into national distribution provided much of the growth. Internal growth was emphasized, as seen in the 1961 annual report which states, "We constantly are modernizing and improving the facilities of our grocery products companies, adding automated equipment and adopting other practices to augment production capacity and offset increased expenses" (complete biography p. 23).

Another contributing factor to the success at Beatrice was that George Haskell's decentralized management style was utilized and improved upon by William Karnes. Until 1958 top management was made up of Karnes as President and CEO, and John F. Hazelton as Executive Vice President and Chief Operating Officer. "Hazelton handled the operating aspects of top management while Karnes devoted his attention to policy, finance and acquisitions" (complete biography p. 25). Karnes knew all of his 400 plant managers and always called them by name. He would often contact his managers "with a word of cheer, a request for information, or a word of advice" (p. 30).

Hazelton once stated, "We had a high degree of loyalty from the people. They really worked their hearts out for the company, because they were treated with a lot of respect and they had a lot of respect for Mr. Karnes. He was good to all of them" (p. 30). Wallace Rasmussen, a plant manager who later became president of Beatrice, also discussed the management style of the company. He said, "Beatrice executives had a way of making you feel you could do anything. They wouldn't question your method. They would leave you alone, thus showing their faith in you. That lets you operate in a world of your own and you can act as an entrepreneur" (complete biography p.30).

Hazelton said that "we found out you can't run all plants from Chicago . . . (so) it was up to each manager to develop his own organization" (complete biography p. 32). Karnes allowed his managers to use their own management style, but he also didn't hesitate to call them if they did not meet Beatrice standards. These standards were constantly upgraded by expanding the practice of sending reports to managers. Karnes and Hazelton sent out monthly reports detailing manufacturing costs and profits to every manager.

"What makes the growth at Beatrice so impressive is not only its magnitude, but also its stability. Year after year Beatrice set new records for sales and profit" (complete biography p. 2). In 1976, Bill Karnes defined the Beatrice Foods philosophy. "From the very beginning, the founders of our company adopted the practical philosophy that the best way to get a job done was to pick a good man or woman, give him the authority to do the job, offer him incentives and hold him responsible for accomplishing the job. To us, that's the essence of decentralized management under our system" (complete biography p. 47).

End Note – The sources for all page references in this brief sketch can found in the article on William Karnes which appears in the Journal of Business Leadership and can be accessed through the link below.

Please click here for a complete Biography

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