

UNDERSTANDING EXECUTIVE SKILLS

13 November 1951

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GENERAL VANAMAN: Gentlemen, this morning we are starting a brand new course, or, shall I say, a unit of a course. It is not only new to you, but it is new to us. Each year we have placed more and more emphasis on the subject of management in our curriculum and this year we are adding another phase, that is, the human relations.

The important part of management and the study of management (at the blackboard) is in the first three letters of MANAGEMENT. That is the very important part of management. Now, let us take a look at our mission, which reads something like this: We are to prepare selected officers for important command, staff, and planning assignments in government agencies.

We could paraphrase that mission by simply stating that we are to create a potential for top-flight executive leadership. The last time that I discussed our mission with you, in September, I outlined two broad objectives of education:

First, to tackle and solve problems and increase our capacity to tackle and solve problems by a well-developed thought pattern and thinking process, and second, to increase the capacity of the students to deal with his fellow man.

Those two broad objectives accurately describe the duties of any top-flight executive leader. First, to solve the problem by thought pattern, to arrive at a sound decision. That is the number one duty. The second, of equal importance, is to obtain wholehearted decision acceptance--dealing with his fellow man, human relations. The higher the position of the executive in any organization in the military establishment or in big business, the greater the demand for this human relations ability.

The normal organization chart that we are used to is something like this (indicating on the blackboard): There are different levels of responsibility. Whether it is the Chief of Staff, down to the Private; whether it is the President, down to the worker--that is the normal diagram of responsibility. But when we consider the requirements for handling human relations, for dealing with your fellow man, the diagram is reversed (indicating). It goes something like that. That is human relations ability--the higher the position of the executive in the organization, the greater the area of the requirement for the human relations experience and ability.

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Gentlemen, we are not so naive as to believe, or even think, that we can create top-flight executive leadership overnight or in a few short days; but, we do believe and know that a potential can be created. This top-flight executive leadership is going to be created from on-the-job training and it is not an overnight proposition. We need very much in this world top-flight executives--not trained seals.

In our curriculum, in every one of our courses, what we are endeavoring to do, and I believe that you recognize this, is to create this potential. We are not trying to indoctrinate you along any one line. We are trying to create a potential. That obtains for every unit of our curriculum of our course. You might say in public speaking that it is a course of indoctrination; it is not. Professor Roberts and Professor Stevens have endeavored to give you a base for your thinking and neither one of them expects you to do just exactly what has been found to be good. It is only a base for your thinking, a potential.

How about if every one of you who came on to this platform to make a presentation followed the rules of standing with your feet together, with the weight on the balls of your feet, and with your hands hanging loosely down at your sides, and, when you want to make a gesture, not to go like that, but to emphasize that (indicating)? How about if every one of you did that? Well, you would look like trained seals up here. But what they want you to do, what we want you to do in the Industrial College is to take that as a base, to develop it into your own personality.

We are endeavoring to create that potential to ask better questions of your own experience on the job, and you must have this base in order to ask better questions from experience. Also I believe that the study of this particular unit will give you an opportunity to understand better yourselves, your own attitudes, your own motivations. Self-examination is healthy for us. Looking ourselves squarely in the eyes is invaluable. I don't mean by that that we change our personalities. Perhaps we don't want to change our personalities but, after examining this question, perhaps we will want to change the manifestations of our own personalities.

I was very much interested in a study that was conducted recently on the reasons for executive vocational failures; that is, failures occurred not because of lack of skills in a great quantity of them but because of the lack of human qualities--dishonesty, immorality, intemperance, laziness, that well-known mineral disease, the accumulation of lead--were very high on the scale.

Loyalty is an essential part of any executive's tools. An ounce of loyalty is worth, shall we say, a ton of cleverness. Your skills are important, there is no question about that; but,

your skills must be supported by the ability to deal with your fellow men, human relations. 611

This study showed that these vocational failures occurred in different companies in the order of one for lack of skills anywhere up to 7 to 10 for the lack of the necessary human qualities.

In this study we are endeavoring to utilize to a large extent the case method of study. That is the result of a lot of thinking, of wondering, of rearranging prejudices on our part. It is the result of the demand of a number of graduates of this college and the suggestion of a number of students of this class. It will be necessary for you to approach this case method with an open mind, especially those who have not had experience with the case method. I find that I must keep prodding myself to keep my mind open.

We have not utilized this method here at the college to a great extent, due to the fact that it is necessary to set it up about three years ahead to even start this case method, without the continued assistance of outside educational institutions. We have borrowed from Harvard. Harvard has helped us considerably in the development of this course. We have borrowed our cases from the Harvard Business College. So, you must approach it with an open mind. I expect to get from you some real recommendations on how far we should push this case method of study. Approach it with an open mind, evaluate it, and then give us the results of your evaluation.

It is well that we as students take a good look---in a course that is given at an institution on the highest level in the field of education in the Defense Department--at the men in management. To help us in obtaining an awareness, an appreciation, and a knowledge of this important subject, we have solicited the help of many outstanding men in this field.

Our speaker this morning is an outstanding man in this field. He has helped us very much in the preparation of this course. We are greatly indebted to you, Mr. Nelson. Mr. Nelson is going to talk to us this morning on "Understanding Executive Skills." The great corporations, that have to pay dividends and have to make a profit, pay goodly sums of money to Mr. Nelson to help them in the development of their executives, in order that they can make a profit and then they can pay dividends.

It gives me a great deal of pleasure to present to the Industrial College our distinguished guest, Mr. Thomas Nelson.

MR. NELSON: General Vanaman and gentlemen: Thank you, General, for a flattering introduction. I am wondering where that "goodly sum" of money is now. It looks smaller to me perhaps than to those who

pay it--just about enough to get by with. I think if I were wearing three stars this morning I would suggest to the General--note I say "suggest"--that he just continue with what he has been saying, for he has already given us a very good foundation for our thinking and understanding of executive skills.

The topic you have assigned me is exceedingly broad; within the time available I can give you only a reconnaissance survey of the many different factors involved in executive skills. I shall emphasize particularly those skills which have to do with getting results through others.

Because the topic is broad, I am going to follow closely some charts which you have very nicely prepared here at the college. The charts contain key sentences as pegs on which you can hang what I say. Rather you use the charts as an outline around which you can group your own thinking; for what you think during this period will be very much more valuable than what any speaker can say.

Last Friday afternoon the planning assistant to the president of a large insurance company in the central West shared with me a study of the company's operations during the past three years, a study that emphasized the productivity of that company. The work hours required per policy written have increased during those three years; the productivity is going down. The salaries per person in that company have increased; other costs are rising. Even though the sales volume in that company is increasing more than 20 percent per year, which makes it the fastest growing insurance company in America, it faces a serious financial situation. I don't want to scare you, in case you have a policy in that company. That is not what I mean. But it does face a management problem that demands attention immediately.

Yesterday that analysis was presented to the president's Operating Committee for review and consideration; I am willing to bet that this morning there appears on the desk of every major executive of that company a directive that says, "Change these trends." Incidentally, I am willing to wager that they will correct these trends, because the executives of this company are progressive. They are students of how to get better results through people. In this situation, as you have been visualizing it, you can see that management has first done some basic thinking, judging, and deciding, and now it faces the necessity of getting certain more satisfactory results through people down the line.

Management functions in two widely different ways:

1. Part of the time management spends in thinking, judging, deciding.

2. Another major part of its time is spent in getting results through others.

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Each requires quite distinctive and widely differing abilities. As General Vanaman said in his opening statement, there are many more failures in this second area than there are in the first.

During this week, as I look over your program, you apparently will be concentrating on getting results from others. You will spotlight the conditions, that make it necessary, the difficulties, the problems, the principles, and the methods you have to know and use, and the skills that you must constantly employ to get the desired results through others.

The executive task today is much more difficult than it was 50 or even 20 years ago. It may become more difficult before it becomes easier. One large company reports that it employs today three times as many executives per thousand workers as it did in 1900. An inventory of all the factors that have entered into making this executive task more difficult and which makes it necessary to have more executives on the pay roll would take all our time this morning. But there is one set of factors we ought to keep in mind as we do our thinking in this session.

New definitions of employee "rights" and new "obligations" of management complicate the task of being an executive, of getting results through others. If you and I were to write down all the things which we cannot do, but which our fathers as executives could do, we would have an imposing list.

We can't fire an employee in industry for many of the reasons we once could; we can't exercise complete freedom of choice in hiring. We have to negotiate the amount we pay; often we have to pay more than we think wise; we can't even raise the pay of workers or executives, or ourselves, except under certain conditions. We can't even call a lazy, good-for-nothing worker the name he deserves unless we smile when we say it.

The worker has achieved the definition of some new and far-reaching "rights" and society has handed management some new "obligations." It seems safe to generalize in these terms. The authority of rank and position--I am not applying that to the uniform; I am applying it to the organization chart--is weakening. It is giving way to the influence of leadership. Even in the home some of us parents have found we can't use the old-fashioned methods to keep the youngsters in line.

The teacher has to win his respect by his subject matter, expertness, and sensitivity to the individual needs of the students--

not merely through his position. Even the representative of the Church feels the challenge to the authority of his ideas and position.

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In business and industry the president of many a company finds that the shop steward or some outstanding individual in the lowest level of the business has more influence with the workers and more effect on profits than he, the president, has. We have heard the blame for this condition placed on the dilution of religion, the deterioration of the moral character of youth, and even on some particular political leader.

But I expect we would have to agree in our more thoughtful moments that our extensive education of youth and adults, too, in science and technology has taught them to ask questions and to demand answers which some of us in management do not have.

Too many managers have not fully realized or recognized this rapid shift. They are puzzled, often frustrated and resentful, which only intensifies their difficulties and makes the results very much less satisfactory. It is not enough to merely adopt some new slogans or patch up the situation with a few new methods. Management needs to examine carefully its philosophy of human values and to formulate one that is very much more appropriate to the day in which management is living.

There are four major attitudes which one might take toward this changing situation:

1. Ignore.--We can ignore it. We may think we are ignoring it, but we usually find it's all around us all the time.
2. Oppose.--We can oppose the trends, at least for a while, but this only intensifies the impact of the demands of those affected by management.
3. Develop new methods.--Develop those which work the best regardless of how we feel about them.
4. Seek to change conditions.--Seek to change conditions in line with our philosophy of human values.

Of course, neither the first nor the second is good; they will just get us into more trouble. A combination of the third and fourth would be a very happy one.

The chairman of the board of a very large corporation, in speaking to the younger members of top management of that company in their executive development program, nearly always says something

like this: "When I came into business some 40 years ago, the prevailing idea was that whatever was good for business was good for people; but you younger executives are taking over the operation of this great company in a day when the prevailing idea is that whatever is good for people is good for business." These are two radically different philosophies of life. The way in which management would operate under the first attitude is quite different from the way in which it would operate under the second attitude.

Psychology and sociology.--Psychology and sociology (rapidly evolving sciences) are providing new principles and techniques for getting results through others. 615

Fortunately, management is getting some valuable help from the rapidly evolving sciences of psychology and sociology just at the time when we need it most, just at the time when some of us may be puzzled about human beings and society. These sciences give us certain basic principles that help us understand how to deal with persons. Let me give a few examples that are pertinent:

First, that each person is unique and may require treatment different from others.

I wish I could take time to tell you more about some of the situations where we found that high cost and low productivity were due largely to the fact that members of management thought of people as a mass. They thought that the only people who were really unique were the members of management, they were picked out; but, the rest of the people were all alike and all had something particularly wrong with them. Improvement in such situations can be made only when management recognizes that each person is unique and different and may require treatment different from others.

Second, this basic principle (very helpful these days) is: That adults can learn; when they are healthy they want to learn. They can acquire knowledge, master new skills, and even change attitudes and dispositions.

I know I will run into difficulty there with some psychologists. Some say adult attitudes can't be changed. While they are battling out the theory, however, the rest of us will have to keep busy and see that we do change attitudes; perhaps the doubting Thomases will catch up with the evidence of change some day.

Third, education and development can be and should be continuous through life.

We have arbitrary rules for the retirement of people, including executives, but the right time to retire an executive is when he quits growing.

616 Fourth, each group of employees is a little society of its own, often made up of smaller social groupings which can conflict or cooperate, or do both, which they usually do, according to the kind of leadership given.

These are some of the things that psychology and sociology are teaching today. Some people learned them the hard way. These sciences can help us to improve our thinking. They tell us there are psychological incentives which are as powerful as the old-fashioned instincts of acquisitiveness, possession, money, and profits.

They give us the basis for new techniques of dealing with individuals and groups; if we develop the required skills, we get better results through our dealing with other people.

Executives must rapidly become as expert in using the sciences of psychology and sociology in managing as they are in the realms of manufacturing, engineering, accounting, financing, and selling.

Six ways of getting results through others: (1) force, (2) fear, (3) authority, (4) persuasion, (5) rewards, and (6) satisfactions.

Here is one classification of the ways of getting results through others. You can build your own classification. We can use force or fear, or we can depend on authority of our position of rank in the organization, or we can become more sensitive to the rights of others and seek to persuade, or we can share results through rewards, or become fully awake to the obligation of modern management and provide increasing satisfactions to all persons engaged in the enterprise.

Force is seldom used in America any more to get production or sales results. We said earlier that it has lost much of its effectiveness in securing obedience from others. The use of force--I am not telling this group of men anything--is still a basic issue in the world today. The conflict of democracy with totalitarianisms is partly one of the differences in regard to the use of force. Here is a group who, more than any other in America, so far as I know, will doubtless find yourselves deeply involved in this conflict as to when and how to use force.

While we in America are saying we do not believe in the use of force except to get rid of force, we have not made much progress in our daily lives in getting rid of fear as a motivation to effort. Unless you have been recently or in fairly recent years pretty close to the management of a number of industries, you might be surprised to know how often fear is used in seeking to motivate effort.

I know the general manager of a well-known company who, when dealing with a mistake in one of the departments of the plant, bypassed four levels of supervision between him and the first-level

supervisors and called in three different first-level supervisors. To the first one he said, "Did you know what happened?" "Yes, I knew," said the supervisor. "You're fired!" said the manager. That supervisor had 46 years of service and had two more years to go to retire. He called in another supervisor and said, "Did you know what happened?" "Oh, yes, I knew about it," the supervisor said. "Well, you're fired!" said the manager. He called in the third supervisor and said, "Did you know what happened?" The supervisor said, "No, I didn't. That is not in my department. I have nothing to do with that department." "Well," said the manager, "you're fired anyway!"

When we talk with such individuals about what makes business operate, we find that they still act on the assumption that fear is a fundamental motivation to effort. When we asked this manager why he fired the three men, he said, "You have to put the fear of God into them once in a while." I have a feeling he confused himself with God at that point but I am certain his men didn't see any very close association.

The third typical way of getting results through others depends primarily upon the use of authority. The president of a company with which I was dealing not too long ago was considering proposals that the duties and responsibilities and authorities of all the supervisors in the organization be clearly defined so that every person knew exactly what he was supposed to do, to whom he was to report, and what his relationships were with other persons. When he looked at these proposals for position descriptions he said, "Oh, we spend too much time on that procedure stuff. The thing to do is to go out and tell them to produce."

That management should have known better, because they had already released a general manager who, for more than 20 years, depended primarily upon authority and telling to get results. This manager said he maintained an "open door." He did, but it was always open for someone to go in to find out what to do. Occasionally he said, "Come in and give me your suggestions." But one supervisor told us: "Woe to anyone who went in to the manager with a suggestion that the manager had not already thought of." The supervisor said, "He would cut your throat from ear to ear and then prop it open so it wouldn't heal." That manager depended upon authority and fear.

Increasingly we are learning to use more persuasion and less authority of position. Whenever a person is told why to the point that he feels that his job is important and he is important in doing it, he has been persuaded, regardless of how dynamic the presentation may have been. The person who uses authority tends

618 say, "I have the right to see that these people do what they are supposed to do." The person who uses persuasion says, "I have the responsibility to see that they want to do what they are supposed to do." The words I used to describe these two viewpoints are not much different, but the ways of dealing with people are exceedingly different. When the military communicates the reason for an order as well as the what of the order, it, too, is using persuasion.

When we think of rewards, we probably think of dollar incentives and all the things that go with a tangible monetary reward for effort. Rewards do motivate effort. In general, management gets what it pays for. Workers are demanding satisfactions in addition to dollar rewards; satisfactions from the job, on the job, and in the job, and satisfactions with their associations with the company. What do we mean by satisfactions?

Five major satisfactions: (1) security, (2) recognition, (3) influence, (4) opportunity, and (5) sense of belonging.

The social psychologists will usually tell you there are four. I am a little old fashioned; I like the fifth, and here I think some psychologists will go along with me on that.

Security is one basic satisfaction you and I want and will work long and hard to get. Until recently managers have thought of security primarily in terms of money. Many managers have thought they were providing security for workers by putting more money in their pay envelopes. Recent studies show us, however, that workers are more concerned about regularity and permanency of employment, so they can earn enough to pay their bills, than they are about increases in pay.

Recognition is the second basic satisfaction. In the plant described a moment ago where the general manager had left after 20 years of service depending on authority, one man came to me and said, "I want to buy you and your associate a drink." I said, "Why?" He said, "Because you two fellows did something that no one else in this company ever did." I said, "What's that?" He said, "Each of you paid me a compliment. In all the 20 years that I have been with this company I have never received a commendatory comment from a superior."

From the time the babe in the cradle learns to cry, not because he is hungry or needs attention, but because he wants a parent to look over the side and give him recognition, to the time as an old man he set aside money to buy a larger tombstone than his relatives, he is working for recognition.

The third satisfaction is the desire to exert influence, the desire to feel important. Persons feel they want to count for something; they want to be asked for their ideas and opinions;

they like to make suggestions, if it is safe. The question is to know how far to stick out one's neck.

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The fourth satisfaction: Everyone wants opportunity and variety in his work. He wants to feel that tomorrow can be different from and better than today. Prison is not avoided because of punishments. I don't know of any better place to get security than to get a life sentence in a good, modern prison. Sometimes when I'm tired I have been tempted. Prison is punishment because today is just like yesterday and tomorrow is going to be just like today and next week is going to be like this week, and next year and the rest of the years are going to be just like now--that is, punishment.

In industry we have a long way to go before we become expert enough to provide the satisfactions people want, not just through paying work but through enough variety in work so that tomorrow can be a little more promising than today.

The fifth satisfaction: People want a sense of belonging to an enterprise bigger than one's self, a cause to which he can give his best effort. Again, I don't believe I need to say very much about that. We know that in times of war the citizenship rises to great heights of loyalty to a cause. Youths lay down their lives; parents dedicate sons and daughters to a cause. Ortega & Gasset say, "Human life, by its very nature, must be dedicated to something, an enterprise, glorious or humble; a destiny, illustrious or trivial." Must the worker find all causes to which he is devoted outside the major portion of his time and effort, his work? Or can he find a sense of belonging in his work and in the enterprise of which he is a part?

When the president of a company in a small Michigan town provided a training program in group thinking, group feeling, and group actions, he found production schedules increased 75 percent and delivery shortages decreased 50 percent, largely because persons began to feel that they and their ideas really counted. Supervisors had not learned of any new production methods; there had been no new machines installed; no industrial engineers had devised any new operations; but they had learned something about how to provide basic satisfactions of group recognition, influence, opportunity, security, and a sense of belonging.

Three major techniques of motivating behavior: (1) tell 'em, (2) sell 'em, and (3) consult 'em.

There's a simpler way of saying all this. There are three major techniques (sets of skills) that we can use in providing those satisfactions. I wish there were time this morning to ask each one of you to take a pencil and paper and write down this:

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Let 100 percent equal the time you take in getting results through others. Divide that 100 percent into three; first the percent you spend in "telling them," second the percent you spend in "selling them," and third the percent you spend in consulting them. I am not setting up any standard. You have to work that out for each job.

Here's the experience of three companies:

<u>Company</u>	<u>Tell Percent</u>	<u>Sell Percent</u>	<u>Consult Percent</u>
A	60	20	20
B	23	45	32
C	23	30	47

Company A was losing 300,000 dollars a month; Company B was engaged in distribution, so it leaned toward selling; Company C, a progressive company, believed in practicing consultative management. Company A spent 60 percent of its time in telling, 20 percent in selling, and 20 percent in consulting. Company B spent 23 percent of its time in telling, 45 percent in selling, and 32 percent in consulting. Company C spent 23 percent of its time in telling, 30 percent in selling, and 47 percent in consulting.

Company A changed its methods of dealing with people and improved some of its engineering methods. The combination resulted in a 123 percent increase of productivity in less than a year.

Company B took a look at its methods and decided it should reduce selling about 50 percent and it should reduce telling about 25 percent, and it should increase consultation about 66 percent. It is now training its executives in consultative management.

Five values of consultative management: (1) increases productivity, (2) utilizes more experience, (3) frees executive from detail, (4) secures coordination, and (5) develops subordinates.

It is easy to identify five large values of using the consultative principle for getting results through people. Let's review them quickly.

From the dollar-and-cents point of view the first value is increased productivity. Whenever a supervisor enlists the participation of his subordinates in planning and deciding, he will find productivity increasing. Persons do more and better work. There is more team play. Individuals help rather than ignore others. The supervisor and the executive act as a leader rather than as the old-fashioned authoritative boss.

A recent survey of supervision in a large insurance company revealed that the supervisors who were considerate of employees and enlisted their participation in improving operations got more work than those supervisors who were constantly pressing and driving to get out production. Consultation got better production results in an office than constant inspection and command. 621

A second value of the consultative method is that you make larger use of the experience and judgment of all who can and should contribute. One of the interesting things that we have found as we talk with hundreds of foremen and supervisors, from the lowest levels right up to the top, is that if you ask a group on any given level what use they make of their subordinates, they always say, "Well, pretty large use." But, if you then ask the level below what percentage of their experience, judgment, and ability is used by their superiors, it never ranks above 50 percent. So, consultation makes it possible for one to utilize more experience and judgment.

Third, it helps to free supervisors from detail work and lets them give more attention to leadership and to supervision. It reduces the number of "Don't carers"--"Let the boss worry!" Makes the boss' job everyone's concern.

Fourth, it develops people because every time you bring a group together to face some problem, you have stretched the scope of these people's thinking, and you have broadened their experience and made them feel a sense of responsibility for more than their particular "jobs." That develops people.

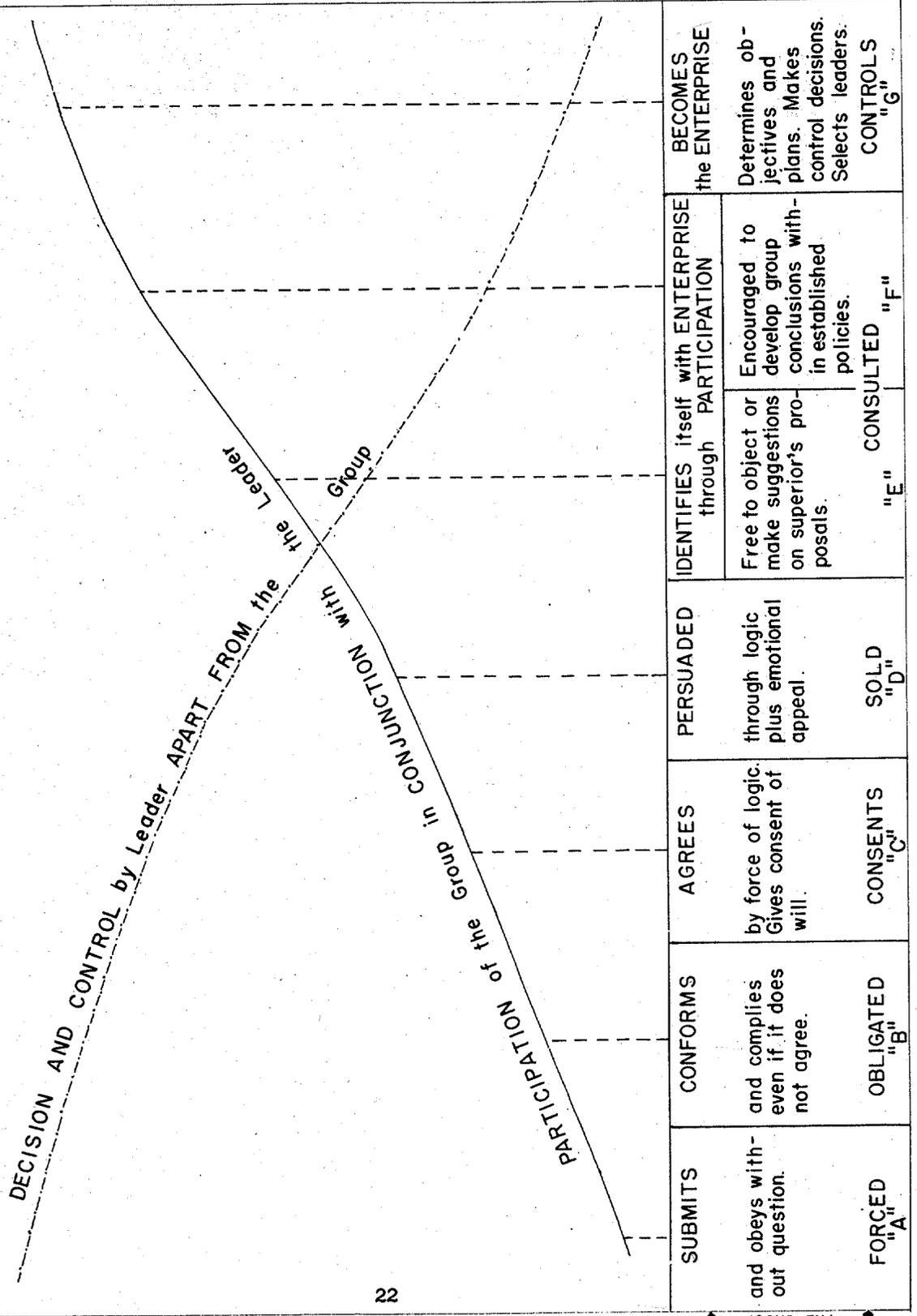
As people discuss the problems of other departments they broaden their interests and concerns. They see how they hinder others and learn to avoid such action. They see how they can help others and they learn to want to help. That is the essence of coordination.

At the risk of oversimplification, here is what I have been attempting to say:

Management must move from authoritative to consultative management. The times demand it. We will not get the best results until we do. Let's use the term "consultative management"--representative of that which gets the best results from people.

According to the chart "From Authoritarian to Consultative Management" there are seven discernable ways in which a group may respond to an executive depending on whether he leans in the direction of merely "telling them" or in the direction of democratic leadership (chart on following page).

# FROM AUTHORITARIAN TO CONSULTATIVE MANAGEMENT



At the left of the chart, the group submits, it obeys without question. That is force. 623

Moving away from force the leader gets the group to comply, even if it does not agree. The group is made to feel a sense of obligation, duty.

A different appeal to action may be the logic of the event, or the logic of the leader; the reasons he presents to us may cause us to give consent of will because of the logic, because of the reasons. The leader is beginning to take the group into consideration a little more. He begins to regard them as intelligent, able to make up their own minds.

When the leader moves from these first three steps to persuasion and emotional appeal, he has to think again--what are their interests, what would appeal to them? To the extent he thinks of their real interest, he has taken the group into consideration still further and the group is functioning in a larger way. But just to sell a group is still not consultative management nor does it get the best results.

Up to this point of letting the group participate, we have taken the group into consideration only in trying to find what will appeal to them logically or emotionally; when we begin to let the group participate, that is the beginning of consultative management. First the group begins to identify itself with the enterprise through participation. It is free to object or to make suggestions on superiors' proposals. But real consultative management goes further and the group is encouraged to develop its own conclusions within established policies. Private profit enterprises cannot go further than this step if those who own the capital are to retain the final control.

Certain groups can go all the way. In some groups the group itself becomes the enterprise. It formulates objectives, plans, determinations, and control decisions and selects its leaders. Therefore, it has control and then the group really becomes the enterprise.

From being forced, the group can move all the way to control. Social groups, full democratic groups like some church groups or adult education groups, move up to this final step. Even some of the cooperative economic organizations have moved into this area.

You will notice that as the participation of the group increases, the authority of the executive or leader apart from the group decreases. He shares responsibility with the group. This does not release the executive from his accountability to his superiors for desired results.

624 It does enlist the group in more creativeness and more responsibility for getting the results. It gives satisfaction. It increases security. It increases recognition. It increases influence. It makes the work more interesting--points out opportunities. It gives a sense of belonging to a larger enterprise. It develops individuals and it builds morale and teamwork. It adds psychological incentives to financial rewards. It gets more and better results through others.

I am not seeking to say where any particular group should operate. I am not contending that all groups should become completely democratic. But experience does show that consultative management gets better results through people.

The executive's job.--His job is to develop people as well as to direct them.

To manage, however, in line with consultative management, requires a whole new set of skills which many executives do not possess. If consultative management is so good, why isn't it used more? There are two reasons:

1. Some executives would not use it even if they could, because their attitudes and their philosophy of life would not permit it.
2. Some who would like to use it do not possess the required skills.

Wrong attitudes and lack of skills often prevent good management.

Let us look at some of the more typical attitudes which handicap consultative management.

Some handicapping attitudes: (1) rank means superiority on all matters, (2) must "show up" subordinates occasionally, (3) consulting subordinates implies weakness, (4) you can't trust many people, (5) it's dangerous to develop others, and (6) requesting suggestions promotes criticisms.

"Rank means superiority in all matters." That means we must show up subordinates occasionally. Consulting subordinates implies weakness. You can't trust many people. It is dangerous to develop others. Requesting suggestions promotes criticisms.

I could list others. There are 17 of them that walk across the platform of almost every conference of top executives. Let me give an example.

When an executive calls a staff meeting to discuss a departmental problem, he rarely says: "I know more than you do; that's why I'm the boss. Let's see if you have any ideas that I haven't thought of. But

be careful that they don't go counter to my ideas which I have already decided on." He never uses those words, but I have seen executives act that way. You know the quotation: "What you do speaks so loud, I can't hear what you say." 625

During the past year "Fortune" magazine asked a number of top executives if they used conferences. They all said they did, but they said they used conferences in 75 percent of the cases to sell their ideas to subordinates. Seldom was the conference a problem-solving experience; it was a way to let the people have the Boss' way.

Well, I don't dare go any further. I have had men come to me confidentially and say, "You wouldn't seek to develop your subordinates, would you?" Whenever an executive feels his superiority is due to the fact that he knows more technically than his subordinates, he has put a very narrow fence around his department. What the executive should be is more expert in his ability to get superior individuals working together in a team.

If we want to get results through people, our attitudes must be right. This is the toughest part of becoming an executive. It is easy to get knowledge and skill; it is difficult to build right attitudes. But I still have faith that it can be done. I have more than faith; I have seen it. I could tell you about a vice-president 66 years of age. Three years ago they wondered how soon they could retire him. Today they can't let go of him, because he has changed his attitude toward people.

Executive requirements in addition to intelligence, technical "know-how," and the science of management: (1) appropriate viewpoints and attitudes, (2) emotional maturity; (3) skill in dealing with the individual as unique, (4) skill in developing subordinates, (5) skill in "selling" ideas, (6) skill in consultative management (group dynamics), and (7) acceptable personal characteristics.

Here is a brief list of executive requirements in addition to intelligence; technical know-how, peculiar to the company operations; and the science of management, which includes planning, organizing, and controlling.

Let us assume that the executive believes in consultative management and possesses appropriate viewpoints; can we assume that he is emotionally mature? That does not necessarily follow.

Every once in a while an executive needs to sit down and say, "Have I been too sensitive? Can I take criticism?" The vice-president of a large company, who is now president of a fairly well-known company, said at the end of a training program in

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leadership, that the most valuable thing he got out of it was the ability to accept criticism gracefully; to learn from sharing with others and to not resent any idea which he had not thought out before. That is emotional maturity.

I could tell you of a company where second-level executives declined to discuss company improvements beyond their individual departments for fear the vice-president would regard suggestions as reflections on the vice-president's competence--and they were not open to criticism. The executives had developed a comfortable atmosphere of complacency which, of course, is next door to stagnation.

The next requirement is skill in dealing with each person as unique. When I walk into certain railroad offices and see the look on the ticket agent's face, I can almost hear him say, "Here comes another passenger!" The airplane companies don't have that attitude, or they didn't have it, but now one or two of them feel the same way. What we have to do is to develop ability to see each individual in his uniqueness. We need that skill every time we have to handle a complaint or a grievance.

He needs to learn to ask in each case what makes this person act this way? What does he want? This skill is similar to that used by the social caseworker. He has to listen, show a sincere personal interest, and help each individual solve his own personal problem. That requires skill.

Often he has to help an individual plan a feasible program of becoming his larger self. The executive must develop subordinates, as well as direct them. A business is not merely plant, finance, materials, processes, products, and profits. It's people engaged in activities and relationships--and we have to become as expert in building persons as we are in building institutions. That requires another set of skills.

We need skill in giving each person recognition and appreciation. I hope I don't hurt anyone's feelings here. I know you are not sensitive. Engineers and accountants and technical men, particularly, need the skill of giving recognition and appreciation. They seldom will give it to you, whether you deserve it or not. An engineer will give you his last suit of clothes, but he won't tell you that you did all right. An accountant says, "It looks like it adds up right," but seldom thanks you for adding it up.

Sometimes we think we act intelligently. I still hope that I do. But it is seldom logic that makes us act. It may guide our actions, but it is emotion that motivates our activity.

We need skill in selling our ideas. Your public speaking is partly a program in selling ideas. You develop poise and confidence in appearing before a group. Executives need to learn to sell ideas, not merely think them up logically. There is nothing wrong in motivating for profit if the ends sought are sound and the effects are fair. But it takes a special set of skills to motivate; to make persons want to do what they should be doing as well as they can.

We need skill in consultative management, which is group dynamics. There is probably no activity in which executives spend more time. One president recently estimated that "Plush Alley," the popular term applied to executive offices, spent 65 percent of their time in conference. Whether a conference is the most typical way of wasting time or the most effective way of solving a problem depends on skill in conference leadership.

I have been able to identify 101 different techniques of planning and leading a conference effectively, each requiring skill. And finally, each individual needs to have acceptable personal characteristics.

Fortunately, we find in the midst of this tremendous need that it is becoming popular to provide executive development programs. It is said to be the most rapidly growing idea in American industry.

If you ask me how to build all these skills, I can't tell you all the answers but I would not be surprised if each of us will be working at the task of building more effective skills for the rest of our lives. It is not a simple job.

The following is a quotation from L. A. Appley:

"To lead and discipline--and at the same time maintain confidence and respect--is the world's most difficult task."

In closing, let me quote from Clarence Francis:

"You can buy a man's time. You can buy a man's physical presence in a given place. You can even buy a measured number of skilled muscular motions per hour or day--but you cannot buy enthusiasm . . . . You cannot buy initiative . . . you cannot buy devotion of hearts, minds, and souls."

But you and I know from experience that we can get enthusiasm, initiative, and devotion if we use the right principles and methods of executive direction.

COLONEL VAN WAY: Mr. Nelson is ready for your questions, gentlemen.

628 QUESTION: I wish you would expound a little bit more on the limitations or reservations that you had in permitting the group to participate to a great extent in company policy as individuals. I think most successful executives like people, but sometimes when groups come to them as a whole they come to the conclusion that people are no good, or so they have been said to do. How far down can you go on that?

MR. NELSON: Well, we never go further than the last individual who is affected but we should go that far. The president of a very well-known mill--some of you are using the blankets; they won't be called by the company name, because they are military blankets, but the company is making them for the military services--has found in the past three years that profits before taxes have dropped to 1.7 percent when it should be 20 percent. They must have a better profit, not only to satisfy the owners, but to have money to build more plants and buy more machinery. So the president of that company instituted a profit-improvement program. He has seen from experience the value of not deciding things at the top and giving orders down the line. He is enlisting the entire employee group, the top-management group, the foreman group, and their union stewards in a consistent, continuous program of profit improvement, in which these people are meeting as groups to discuss ways to improve methods.

The basic principle of consultative management is that, so far as possible, each individual should be consulted on those matters which affect him or his job before final policies or decisions are made. This is the policy of General Foods, Bigelow-Sanford, Kenwood Mills, and a number of others. Second, their objective, which they have not achieved, is that each individual should be consulted not only on those things on which he has a right to be consulted, but on those things on which he thinks he has a right to be consulted. That's all the way down.

QUESTION: I have a question, sir, about an executive approaching his people, trying to react to this instinct of every man to be something bigger, to have better recognition, and so on. It seems to me it runs against the fundamental concept of labor unions, which tend to hold down performance to the lowest level of any individual in the group. As I understand it, labor unions are not particularly concerned with the performance of the group or with recognizing individuals in the group, but rather there seems to be a tendency to hold down each individual to the lowest. Aren't you running against two fundamentals? Different concepts?

MR. NELSON: Yes.

QUESTION: What are you going to do about it?

MR. NELSON: Labor unions are changing. That may be a prophecy, rather than a fact, but leadership in labor unions--I am not in their secret confidence, being a member of management--have realized that they have reached the limit of increasing return to the worker until they help increase productivity. Top labor leaders are now discussing with management how they can work together to increase productivity. When we move to that we are going to have much happier labor-management relationships. But you are partially right. There will be many places where there will be confusion. But you can educate your employees today, and it is the business of an executive to develop people as well as to direct them. Management has been so busy in directing that it has failed to develop people and educate them. I believe we can. 629

I believe that much of our problem exists today because we did not prove to the working man that we were his best representative. I still think management could be the best representative of every person affected by management. Management must become the representative, not only of the shareholding owner but also of the worker. In fact the job of management is no longer primarily that of making profits. Be careful how you quote that. The primary business of management is to maintain a balance between attractive returns to investors, satisfactions to workers, and worthy products to the consumer and the support of the people. It can no longer just make profits. When we do these four things, we will make more profits.

QUESTION: Mr. Nelson, I am wondering if, applying this to the military, you are not running into complications. If you develop this to a considerable degree, all the way down in the military, aren't you instilling in people a subconscious habit of questioning orders or wanting to be sold on orders, which is just the opposite of what you want people to react to in times of emergency? In an act of emergency, which demands prompt obedience, prompt acceptance to orders, we have no regard of whether you like them or not. If you have that subconscious idea, aren't you going to react a little less quickly and immediately, less positively?

MR. NELSON: That is one place you won't get me into very deeply. We don't want to develop an attitude on the part of individuals in a plant to the point where if a fire breaks out they say, "Let's go down to the board room and have a conference on how to put that fire out." We can't do that--if I may use that silly illustration. There are exceptions in which people have to completely subjugate themselves to the cause and the end that they want. I don't believe we have to subjugate the individual and forget the individual. I believe individuals who are treated as persons will act for the common end and need in an emergency even better than the subjugated individual.

QUESTION: How about cooperative stores or factories--the worker owns the factory, does the work, gets the profit. Are we shooting toward that?

MR. NELSON: Of this country's business 3.2 percent is done by cooperatives. Over 40 percent of the farmers' products are furnished through cooperatives. In Sweden it's 15 percent; in some countries it's more. I would not be surprised if we have more cooperatives in this country. But I do not see cooperatives dominating American industry. Your question is: Are we moving toward that? I wouldn't be surprised if we move far enough along in that direction to furnish a constant check on the size of the profits and the attention given the consumer by the private profit enterprise. Cooperation is private enterprise where control is in the hands of the user of the products instead of those who provide the finances.

QUESTION: Your chart (From Authoritarian to Consultative Management) has made me a little bit confused. As you come down to the angle it seems to me that management has put less and less to the business, to the duties. The solid line makes the people at the bottom submit, but as it goes along they control the decisions. It seems to me there's no need for somebody to work up from the bottom to top management. He just needs to study human relations and then come in at the top angle. To carry it further and stretch the imagination a little, in the case of the Chief of Staff of the armed forces, it would be silly for him to work all these years to learn how to run military people. He can study human relations and come in at the top. Will you discuss what I am getting wrong out of that chart?

MR. NELSON: Yes. In fact, you are not so wrong on one point. We could get along in top management with a little less technical knowledge on the part of certain executives if they just knew more about handling people. By dealing with people I do not mean "remember that a man's name is to him the sweetest sound in the English language." I am not talking about the Emily Postness of human relations. I am dealing with the basic motivations and desires and satisfactions of people.

The other day a concern asked us to help it select a new vice-president and sales manager. It sent us four district salesmen, one assistant sales manager who was graduated from one of America's best-known universities in business administration and had been the assistant sales manager for a few years, and a man who as head of its utilities and maintenance operations had a large working force under him. We recommended that the concern take the man who headed up the utilities plant to be the vice-president and sales manager. Why? Well, the salesmen knew nothing about management and the assistant sales manager had not suggested a new idea in two years, even though he did have a graduate school degree. But the utilities man, who knew nothing

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about sales, did know management, and we felt it would take a lot less time to teach him the product and how to sell it than it would to teach any of the others management. Maybe that's not the point you are talking about. Help me again, here. Are you saying that because the broken line comes down on the right-hand side the man needs to know less?

QUESTION: I mean the actual skill requirement.

MR. NELSON: Notice what this says. It doesn't say he knows less. It says "Decisions and exercising controls apart from the group." He makes fewer decisions by himself. He doesn't need to know any less; he can know just as much as he did about the business before. He needs a little more ability in getting group thinking and group action. He knows how to get the group to produce acceptable decisions. He knows how to get them to participate in coming to conclusions.

QUESTION: I think that clears it. I was thinking all along you could not make those decisions and controls until you had a firm understanding of all the skills required in the business. But you base the entire idea of decisions and controls on the understanding of human relations.

MR. NELSON: No, not entirely. I still think the man ought to know a lot about the business if he can; but if he has chosen the right men around him he won't have to be as expert as if he hasn't. Does that still leave you confused?

COMMENT: It does. Because what in this system makes a junior executive want to build up his knowledge to get to the top. To go in somebody else's company?

MR. NELSON: It doesn't take the responsibility for the decisions from him. The executive has to take final responsibility. He is accountable. You don't make the group accountable. You utilize the group to help you; but you yourself may make a decision different from what the group has concluded. In fact, one controller when he introduced this method in his company held three discussion meetings of his subordinates a week for a period of 12 weeks to discuss the reorganization of the Finance Department of that company. The meetings started at 4:30 o'clock and lasted until 9:30 at night. They had a buffet supper. He kept a record of all the conclusions of the group. He was willing to put into effect 93 percent of the ideas of the group, but in 7 percent of the conclusions he decided he couldn't go along with their thinking. He said that he was surprised to find that in discussing this 7 percent with them they were more than willing to cooperate with him 100 percent in putting through his decisions. He said that was different from when he did not discuss things with them. You have raised a pretty complicated question. There are many angles involved.

632 QUESTION: I was thinking of the military people who are in it constantly; not those who are in it for a short time, but those who make it a lifework.

MR. NELSON: It is true that many of our troubles today are due to the fact that educated people ask questions. Old Galileo came along 300 years ago and asked questions. Before that, those of us in "management" ruled and had our own way. If we kept people ignorant, those of us at the top could have a good time. But we have spent a lot of money for education, we train teachers, teach them science, and science says, "Don't believe it until you see it proved. You make the fellow prove it!" We already have this situation. I don't know exactly what the solution is. I'm willing to admit it's going to take a higher type of leadership to keep this type of people working together. We will have to let them have more say in what ends they are led toward and under what conditions they perform and what their leaders are to be like.

QUESTION: I would like to know, briefly, just a little more of the mechanics and procedures used by all top management, who, I presume, still announce policy. How do they consult with people? They don't have people in the plant who announce policy that will in many cases affect every one of them.

MR. NELSON: I will give you the process of General Foods. I refer to that company, because my close association with it revealed how Mr. Igleheart, when he was vice-president in charge of sales, used consultative management.

On Monday morning he would call a conference of his staff for the discussion of matters that might need executive decisions or the formulation of policies. On the next day those men who conferred with him on Monday held meetings with their top men, and on Wednesday those subordinates held meetings with their associates. On Thursday the next level met and on Friday the next level discussed the matters. On Saturday the branch or sales manager called together his salesmen. He passed along those things which top management had decided to do. At the same time members of each group were asked what they thought about it and what they wanted changed so that it would work. So back up the line the second week came the ideas which could cause modification of policy. Does that do it?

COMMENT: It looks to me as if top management is still telling them.

MR. NELSON: It depends on whether you ask or tell. Yes, the higher levels do make the decisions and take the responsibility for them. But they make them in the light of asking of discussion, of freedom to object or criticize, and of opportunity to initiate ideas from the bottom up.

COLONEL VAN WAY: Time has forced us to bring this meeting to a close. I would like to say that we are very fortunate in being able to have Mr. Nelson stay with us the remainder of this week. He will be in Room 258 where he will be available to any of you for discussion and consultation. He will attend case-discussion meetings and will give us further valuable advice and consultation. In addition to our deep debt to you for helping us formulate this course, we are, I am sure, greatly appreciative of the fine work you have done, Mr. Nelson, in helping us to start the course. Thank you very much.

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