THE CHANGING ROLE OF THE EXECUTIVE

7 November 1952

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THE CHANGING ROLE OF THE EXECUTIVE

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ADMIRAL HAGUE: This morning we start on a short but intensive course in executive skills. Executive skills might be defined as the leadership techniques used by an executive. Now, both from the fact that they are leadership techniques and that they are used by an executive, necessarily the course must deal with the difficult art of human relationships.

None of us in this room is productive in the sense that we produce tangible items of use to mankind. All of us achieve whatever results we achieve by working through others. It necessarily follows that the degree to which we realize on our potential depends upon the excellence of our practice of the art of human relations.

All of you possess leadership to a superior degree--otherwise you would not be occupying the positions you do--and I dare say that in this group there are a few individuals who are probably outstanding leaders, the type that we are prone to call natural born leaders; and I think that, as we look on those gifted individuals, we are inclined to feel that they are not due any personal credit for their accomplishments, that rather it was something that they inherited.

I don't think that this is strictly true. I am certain that the outstanding leader starts with a rich endowment, but also I think that he has developed his qualities by a peculiar sensitivity to experience. I think he, too, has had to go through somewhat the same school that most of us go through, what I call the bloody-nose school; that is, the school where you dash into something blithely, and all of a sudden you come up against a stone wall, and you back off with your nose skinned and bleeding and come to the sensible conclusion that there must be an easier way of doing it.

I have often thought, as I gazed admiringly and enviously on some of these people that I have recognized as being outstanding leaders, that, if we could only take them apart to see what makes them tick, if we could study their actions and reactions in a human situation, we could distill from them at least a few broad principles that we who are less richly endowed could assiduously practice and thereby improve our own leadership skills.

Now the case study method on which this course in executive skills is based is designed to do precisely that. You have already studied the first case; you have already recognized human situations--difficult, complex human situations. The speaker this morning will discuss the case broadly, to develop the principles involved. After his address you will repair to the discussion groups where you will discuss the case, its

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problems, and it facets, with 10 or 12 of your classmates. I have already pointed out that each of you possesses leadership qualities to a superior degree. In that group discussion you will have the grand opportunity to not only examine your own reactions to the problems of the case but the actions and reactions of 10 or 12 other undoubted leaders. A group leader will be selected and you will return to the auditorium and, through the group leaders, you will have the benefit of discussing with the speaker the actions and reactions to the problems as developed in the group discussion. I know of no way in which you could acquire so much valuable experience so quickly and with absolutely no expenditure of epidermis and blood.

We are very fortunate in having as our first speaker, Mr. Thomas H. Nelson, an educator in this field and a consultant to management in the application of the principles of human relations to business methods. He is President of Executive Training, Inc., and a partner in the firm of Rogers, Slade, and Hill, management consultants. We are particularly happy to have Mr. Nelson here this morning, because he was the chief architect of this course which in past years has proven so eminently successful in the Industrial College. Mr. Nelson, we are very happy to have you aboard.

MR. NELSON: Admiral Hague and gentlemen: I am afraid my part in the program last year was a bit overemphasized. I probably was more like a sidewalk superintendent than the architect; but, because I did have the opportunity of being with you last year, I am particularly happy to be back here again this year and to share with you in this interesting series of sessions on executive skills.

You have asked me to spotlight what is being done in business and industry currently to increase the effectiveness of executive action through sound human relations in dealing with both individuals and groups. I am particularly glad that you worded that mission in that form, because I can tell you something about what is being done in business and industry without getting out on the limb of telling you what you ought to do yourselves. I will leave that to your judgment and you may find as we are talking this morning that some of the things I am going to be emphasizing are things about which you may say, "I don't see how they apply in another set of conditions."

You may feel a little bit like Joe, the stutterer. Joe was a young chap of about 20 years of age who was exceedingly intelligent, but who was handicapped by the fact that he stuttered all the time. Some of his friends were so much concerned about the fact that this highly intelligent youth could not participate in occupations or in life that they raised a fund and sent him away to a short-term school for stutterers. When Joe came back, the chairman of the committee that sent him to school went down to the train to meet him. The chairman said, "How are you, Joe?" Joe said, "Fine, thank you." The chairman asked, "How was the school for stutterers?"

Joe said, "Splendid. Peter Piper picked a peck of pickled peppers." The chairman said, "That's wonderful son. I couldn't do that myself." "Yes," said Joe the stutterer, "but it is d-d-d-darn d-d-d-difficult to work into a c-c-c-conversation."

I hope what we are talking about won't be quite that impractical.

Whenever one compares what the successful executive does today to secure results through people with what was too often done by his predecessor a generation ago, it is evident that the role of the executive is considerably changed. The modern manager is quite different from the old-fashioned boss of 20 to 30 years ago, and the current literature of business reflects these changed conditions in which the modern executive has to work. The programs of business conferences and conventions are crowded with talks and discussions regarding the new demands being made on the present executive.

In a recent book which I picked up on a trip to the Midwest, Frederick Lewis Allen in "The Big Change," a study of what has happened in this country during the last 50 years, and written in such a way I can understand it, which is reportorial rather than deeply historical, portrays the transformation which has occurred in the last 50 years in this country, particularly the last 20 years. He places his attention--I am quoting: ". . . upon the changes which have taken place in the character and quality of American life,"--which is the important part--"by reason of what might be called the democratization of our economic system or the adjustment of capitalism to democratic ends"--that is spelled with a small "d"--I want to be sure of that at this particular time--"the way in which an incredible expansion of industrial and business activity was combined with a varied series of social and economic forces that has altered the American standard of living and with it the average American's way of thinking and his status as a citizen."

Mr. Allen has chosen this as the theme of his book, first, because he feels it is the real essence of what has happened in the American history; second, because he feels that the changes he is describing are not yet widely understood.

Let us look very briefly and quickly this morning at some of the changes in the social economic situation, and then in greater detail let us spotlight the new role of the modern executive in the midst of this changed situation.

Sumner Schlicter, one of the outstanding industrial economists of our country today, says in his really challenging book, "What's Ahead for American Business"--you will note I am giving authorities for all these statements; if you don't agree with them you can have your quarrel with the authors--I am merely reporting now--"The most important of all the changes," says Sumner Schlicter, "That have affected our economy in late

years, are changes in ideas and preference. The essential change in ideas may be put in one sentence: It is the abandonment of the view that the economy is self-regulating and that it is a mistake for the government to interfere with its operation. The traditional view of hands off has been replaced by the view that the economy needs to be regulated in many respects and that the government must assume some responsibility for regulating it."

Mr. Gilbert MacKay, senior partner of Gilbert MacKay Associates, a reputable interpreter and forecaster of economic conditions, in speaking before the Society of Management last Thursday in New York, said, "Where the people used to vote for a sound currency, they now vote for full employment."

These changing conditions have brought about new definitions of the rights of workers and the obligations of management, and they complicate the executive's job of getting results through others.

If you and I were to write down all the things which we cannot do today as executives and which our predecessors as executives could do, we would have an imposing list. Today 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. Often 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 even of ourselves, except under certain conditions. We can't call a lazy, good-for-nothing worker the name he deserves, unless we smile when we say it.

The worker has achieved some new and far-reaching "rights" and society has handed management some new obligations. Some of us may not like these new obligations. Some may feel that these changes are not good for society and that they challenge the experience of Americans and free enterprise, but, regardless of what we think about them, these conditions are here and we have to deal with them. We have to become expert in managing our enterprises and getting results through others under conditions which are different today from what they were 20 to 30 years ago. There are four possible attitudes we can take toward this changing situation.

First, we can pretend to ignore the situation, but usually we will find that it is still there anyway. Ignoring it will not help us to deal with the situation. We cannot, like the ostrich, stick our heads in the sand and get rid of the difficulties.

Second, we can oppose the conditions, at least for a while, but this only intensifies the impact of the demands upon us.

Third, we can develop new methods. We can develop those methods which work best, regardless of how we feel about the situation.

Fourth, we can seek to change the conditions if we don't like them.

The chairman of the Board of Directors of a very large corporation, a keen thinker in the field of economics and sociology in business, in speaking to the younger members of the top management group of that company in their formal executive training program, nearly always said something like this: "When I came into business some 40 years ago, the prevailing idea was that whatever is good for business is good for people; but you younger executives are taking over the management of this great enterprise in a day when the prevailing idea is that whatever is good for people is good for business." These are two radically different points of view. The old point of view is passing and the new point of view has come to pass within the life span of one man.

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. For many decades business did operate on the philosophy that whatever was good for business was good for people. But increasingly, today, business executives are finding it necessary, and some of them think it is a desirable thing, to operate on the principle that whatever is good for people is good for business.

In this situation the rapidly evolving sciences of psychology and sociology are providing badly needed guides to business executives for dealing with the problems which they face.

They are providing new principles and new techniques for getting results through others. Fortunately, management is getting some valuable help from the rapidly evolving sciences of psychology and sociology just at the time they need them most, just at the time some of us may be puzzled about human beings and society. These sciences give us basic principles that can help us, first, to understand how to deal with individuals, and second, they can help us understand why people in groups behave as they do.

For many years most members of management thought of people as a mass. I still find in my work with top management groups that they recognize a few people as individuals, but the rest of the population is just people, just one mass group. They deal with persons on such principles as these; all they want is money; you can't trust very many people; after all, most people are merely followers; you have to order them; people perform only because of fear and necessity. These executives fail to recognize that each person is unique and that each person has specific reasons why he does well or does poorly.

There was a time when we expected the individual who had risen to the level of executive responsibility to have achieved all of the management skills and ideas that he would need through his basic education before he entered upon his work, or to pick them up through experience. Promotion came largely as the survival of the fittest, the law of the jungle applied to economics. I think you would find, if you looked at it, that plumage also helped in the promotion of executives as well as in the jungle.

But the rapid growth of industry forced upon management the recognition that it needed better executives than it had, better than they could secure through mere survival of the fittest. That is why today so many executives at the top of the ladder of modern industry are going through systematic programs of education and further development.

I wish I had more time to talk about the growing use of systematic management-development for even top groups of executives. In the midst of this program for top and middle executives, we sometimes place too much emphasis upon the acquisition of mere knowledge, mere skill, and mere techniques. We fail to give adequate attention to the part that attitudes and viewpoints play in management. Experience indicates that attitudes are as important as knowledge and skills.

When one analyzes unsuccessful or successful operations, he will usually find that the causes of unsatisfactory conditions are due to one of three major things--to someone who doesn't know as much as he should, or to a person who can't do as well as he should, or to someone who doesn't care as much as he should--and very often the "don't care" attitude gives the real explanation of a failure to deal with a situation satisfactorily. It is comparatively easy to provide the knowledge and the skills required for any technical operation. It is fairly easy to learn and use the principles and tools of management, such as organizing, directing, coordinating, and controlling. But it is much more difficult to see that the individuals possess those attitudes which bring out the best in themselves and enlist the best response from others. Experience shows that attitudes have much to do with what happens in a given situation. It also demonstrates that the best way to help an individual is, first, to understand what kind of attitude is appropriate to the situation, and, second, to develop the attitude that is effective in changing the situation.

So in preparing ourselves to live effectively in the midst of this changing world, we not only have to gain new knowledge and improve our skills, but we need to take stock of and often to revise our attitudes.

Let us spend the rest of our time taking a look at the characteristics of the new executive in the midst of this changing situation. I will enumerate six and outline four of the more important ones in some detail. In the first place the modern executive must maintain a balance of interest between stockholders--that is, the owners--the customers, the employees, and the public.

In the second place he must be a generalist, not merely a superior specialist.

In the third place he must make increasingly larger use of the influence of leadership, rather than to depend upon the authority of rank for his ability to get results through people.

In the fourth place he must be skilled in establishing and maintaining wholesome human relations both with individuals and with groups.

In the fifth place he must develop subordinates as well as direct them.

In the sixth place he must have a basic philosophy of life, a conviction that human and social values are to be fostered and achieved through the enterprise which he directs.

We won't have time to deal with the first two. The first one is before you on the chart (chart was not reproduced). It is particularly important, because it involves a very serious conflict with the industrial executive who says that the one single purpose is to make a profit. Suddenly this executive finds he is in a world where his job is to maintain a balance between a satisfactory return upon investments, a worthy product to consumers, day-by-day- satisfactions of employees, and a public climate in which he can continue to do business. It takes more skill to maintain that balance than it does to merely make a profit.

Let us turn to the second one for just long enough to look at it. Increasingly, the executive must become a generalist and not merely a technical specialist. No longer can a man rise to the general level of management in business and industry by merely being a superior technician or a superior specialist. In fact, increasingly, the top managements of large companies are finding that they have excellent sales managers, excellent finance managers, wonderful engineering managers, but too few general managers. What is the difference?

We are beginning to find that it consists of the way in which a man thinks--not merely the knowledge which he possesses. So modern business is beginning to develop the ability to think functionally, not merely in concrete, specific terms. Most men have gone into business largely because they wanted to get away from school days, from thinking in general abstract terms. But as they rise to executive and administrative levels they have to generalize on specifics, to formulate policies and strategies not merely think up specifics and tactics.

Let us turn now to the third requirement and develop it in a little more detail.

The third characteristic of the modern executive is that he has to be a leader. He must increasingly employ the influence of leadership rather than the authority and rank of his position in getting results through others. There are at least six major ways of getting results through others. You can use force; you can use fear; you can use authority; you can use persuasion; you can provide rewards; and you can provide satisfactions.

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We no longer use force in America to get results through people, hardly ever even in prisons--at least not as much as we did. The world has not given it up, and you and I, particularly you, are deeply concerned about the fact that a large part of the world still believes in using force in order to get economic results, while we believe in using force only for the purpose of getting rid of force. In fact force doesn't even work in the home any more. Even the posterior portion of the anatomy of modern youth seems to have lost its sensitivity to the laying on of hands.

The second way of getting results through people is to use fear. I wish I could say that had passed out, but it has not. It is still used and some top executives of modern industry do not know any other way to get results through people than through threats and appeals to fear. The manager of a large industry by-passed four levels of supervision and called in three foremen--one at a time. He said to the first one: "Did you know what happened in Department X?" The foreman said, "Yes; I am there; I know what happened." Then he said: "You are fired." He called in the second foreman and asked: "Do you know what happened in Department X?" The foreman said, "Yes, I am very close to that department. I know." "He said, "You are fired." Then he called in the third foreman and asked, "Do you know what happened in Department X?" The foreman said, "No, sir. I am not in the vicinity of that department. It is in another section of the building. I have nothing to do with it." But the manager said, "You are fired anyway."

Being consultant to the general manager and desiring to be tactful I told him I was deeply interested in the psychology of his administrative procedure of the morning--that wasn't what I was thinking. "Tell me why you fired them, particularly the third foreman." Then he said, "Well, you've got to put the fear of God in them every once in a while, and you've got to watch for an opportunity to do it." They were losing 300,000 dollars a month; they didn't believe in leadership. Within four months' time 500 foremen were trained in the simple techniques of leadership and some industrial engineering methods. As a result productivity jumped 123 percent in six months. Fear was being replaced by leadership.

The third way to get results is to depend upon one's rank and authority in the situation. But the authority of position is weakening. You cannot teach to practically all youth for several generations the elements of science without having them say, "Why do you say so? How do you know? Prove it." The only way to restore the comfortable old days when rank and position and authority were supreme is to go back to less education and more ignorance.

Now let us consider how we can use persuasion, rewards, and satisfaction as better ways of getting results. I think I recall a military manual which said something like this: "Obedience is the unthinking response of the complete organism to the command of a superior being." It has been some 30 years since I heard it officially, and read it, and tried to make

it work. But as I understand it, the military services are instructed to tell subordinates why, as well as what, so long as it does not endanger security.

So even in situations where we have the largest requirement to respond to the rank and authority of the person giving the command, we still are saying that it is desirable to use persuasion; that is, tell them why, as well as to tell them what. I am not going to talk about rewards this morning. That subject gets into incentives and profit sharing, which probably is not too appropriate. Whenever a leader brings his subordinates together to discuss a plan or decision that will affect them, before he announces the decision or plan, he makes use of satisfactions.

What are the satisfactions that people want? In the first place, everyone wants more security. He thinks he has got it in his bank roll, perhaps, or savings account, or insurance, or retirement plan; but most persons want more security than that. They want to feel that they are so important to the institution or enterprise of which they are a part that they're likely to continue with it. Every time we let an individual know he is important to the enterprise in which he is working, we have given him a sense of security.

Every individual wants recognition. That's the second satisfaction that every person wants and that we can give. In fact from the time the baby in the crib learns to cry, not because he needs attention or because he is hungry, but because he wants someone to look over the crib and coo at him, until as an old man, he provides a larger tombstone over his head than those which his relatives and friends have been able to afford, he is seeking recognition.

Every person seeks the satisfaction of influence. He wants to feel that he counts. Every time we put him on a committee, bring him into conference, ask him to solve a problem, we are giving him a sense of influence.

A fourth satisfaction every person wants is variety and lack of monotony in his job. Prison is punishment--not because it starves people or because it puts them in dungeons--because today is just like yesterday and tomorrow and the other tomorrows are going to be just the same as today. There is plenty of security. Sometimes when I am a little tired I have thought, not too seriously, about the possibility of a good third-degree murder--I have a few prospects on my list--then I would have security, three meals a day, a new suit--of course the stripes run the wrong way, and there's never any change in style, and I would have nothing to do with selecting it--and I would even have time to get a hair cut occasionally. Why don't we want prison? Because today will be just like yesterday and tomorrow will be the same. Do you know that sometimes outside the prison those of us in management positions have been almost as effective in making life monotonous for the individual as a good prison warden has?

The fifth satisfaction that every person wants is the feeling that he belongs to something bigger than himself. Whenever company policies, company objectives, and company plans are shared and told all the way down the line to individuals because we feel they have a right to know and want to know; whenever we ask individuals what the company's objectives and policies and plans might most appropriately be, to the extent that we communicate down the line and to the extent that we ask for communication up, we help a person realize he belongs to an enterprise bigger than he is and one which he, incidentally, is helping to build.

For the last several minutes, I have been talking about the ability to use leadership techniques, instead of more authority to get results--a third characteristic of the new executive.

The fourth characteristic is skill in wholesome human relations.

Sometimes we get the idea that wholesome human relations means saying "please"--just putting "please" in what we have been saying before, as, "Will you please do this?" Sometimes as we read books on human relations we find something like this: "Remember that a man's name is to him the sweetest and most important sound in the English language." Then we say, "I am going to find out everybody's first name." But the executive who goes in and says, "Good morning, Johnnie" and "How are you, Mary?" too often acquires only a technique and misses the spirit of wholesome human relations. If he goes into his office and behind the closed doors makes life miserable for Johnnie, Mary, and others for the rest of the day, he has put on the cloak but not caught the spirit of human relations. Wholesome human relations requires an understanding of people, not merely techniques.

The foreman of a company with whom we were working at one time came to us near the end of the little training program and said, "Tom, I want to buy you and Harold a drink." (That was more than a one-day program. You don't need to feel under any obligation.) I asked, "Why?" He said, "In the 22 years that I have been in this company, I have had two compliments. You gave me one, and Harold gave me one." I felt a little badly that in 16 or 18 contacts we had hit only two home runs--but the company had fanned for 22 years in a row.

In dealing with individuals one needs to become expert in what might be called the "social work case method." That is not what you are calling it here. It is the case method which regards each person as unique and recognizes that the individual does not check his emotions and attitudes in his locker with his lunch. One deals with each individual as a different person and seeks to understand what makes each individual tick. These are some of the same words, Admiral Hague, that you used in your introductory talk.

Whenever there is a situation involving a complaint, or a grievance, or the disciplining of an individual, the modern executive approaches that problem with such questions as "Why does he act this way? What does he want?" Sometimes I should like to have time to find out how long it takes the typical executive to change his attitude of "What will I do with this individual?" over to "Why does he act this way?" It is a terrific strain on most executives to move to the position where he asks, "What human satisfactions can I provide him in his work which he is not now getting?" The approach of a disciplinarian and authoritarian executive is "What is wrong in this situation? Who is to blame? What is the punishment?" Such a man may seek to be just, but he does not seek to be understanding. He exercises authority in his job, but he does not exercise the leadership for which he is responsible. He forgets that in seeking to produce a profitable organization he must at the same time maintain rich satisfactions to every individual.

Let me congratulate you here on introducing into your program the case study method, particularly in the realm of executive skills. In talking about establishing and maintaining wholesome human relations through dealing with each individual as unique, I have really been talking about the case study approach. In the technical areas of accounting or production or engineering or design, one can depend freely upon established formulas and principles for dealing with situations. But when one comes to dealing with individuals or with management situations, he has to think through each situation in its uniqueness, for no two situations are exactly alike, and you never can have all the data you would like to have.

Professor Donham, formerly Dean of the Graduate School of Business Administration at Harvard University, says that the first thing which has to be done with engineers to educate them for administration is to destroy their sense of certainty, to force them to think of relationships, to make them form judgments where no one can be sure. He says it is a slow process. Perhaps I have been hard on engineers. What he means is that any person who depends upon mechanical and statistical facts is going to make judgments about people who do not take enough into consideration. "If technical training," he says, "is not broadened so that men realize the limits of scientific methodologies and so that they acquire, with less instinctive opposition, habits and skills based on more generalized points of view, if they do not come to appreciate intuitively that the engineering logic of production is only a part of the human and social problem involved in production, the narrow training of many industrial managers will continue to be dangerous. The folly of intelligent people, clear headed and narrow visioned, has precipitated many catastrophes."

The case study method is one of the best ways of getting rid of prejudices and predispositions. Sometimes I don't like the case study approach; every once in a while it reveals an old prejudice I had forgotten about but it is the best way of thinking through to appropriate answers in unique situations.

I have already run over the time that was allotted me. I want to remind you that the fifth characteristic of the modern executive is that he develops subordinates as well as directs them. It is comparatively easy to just direct; it is difficult to develop. An executive who develops his subordinates permits them to make mistakes. I once asked a group of executives how many mistakes an executive should permit his subordinates to make. I got all kinds of answers. Finally one quiet individual spoke up and said, "As many as the boss makes, probably"; that's a pretty good answer.

In fact, increasingly we are finding that one of the best ways of directing people is to make practically every order giving situation a training situation. Of course you can't always do that. You wouldn't do that if a fire broke out right here. We wouldn't say, "Let's have a little session on how to put out fires." But there are possibilities of developing a person which we do not take advantage of.

Finally, the sixth characteristic of a modern executive is to possess a basic philosophy of life appropriate to the day in which he lives. Again, I wish we had an hour. When I started talking here this morning, I said that Mr. Francis, the Chairman of the Board of General Foods--I had not quoted his name--said, "When I came into business 40 years ago, the prevailing idea was that whatever was good for business was good for people, but I am turning the affairs of this great corporation over to you younger men in a day when the prevailing idea is that whatever is good for people is good for business." The new philosophy growing in the minds of business executives is in this direction. As executives we must be vocal and we must be proud of the social and human values that our enterprise creates.

So long as one maintains human relations and develops individuals to higher productivity and consults with them merely as devices to secure larger productive effort, he is merely using the techniques of sound and progressive management. Unless he has a firm and deep conviction that these things are good for people, and unless he can convince his subordinates that he believes in them and their best interests, he may be able to fool them for a while, but he will not be able to maintain that dynamic leadership which motivates, guides, and energizes the continuously improving effort of individuals and groups which is, after all, the basic reason for one's being an executive.

Fundamental to effective technique is a sound, consistent, progressive philosophy of human and social values appropriate to the times and conditions in which the executive lives and works.

In summary the modern executive has a new role to play in a rapidly changing society. He not only achieves the financial and economic objectives of the enterprise; he makes work in the enterprise an increasingly satisfying experience and he contributes to a progressively better society.

And incidentally he plays a major part in making America safe for American ideals because he helps build a sound and satisfying economy.

(28 Jan 1953--500)S/sgh