ORGANIZATION AND PEOPLE

12 November 1952

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COLONEL CAVE: I think that by the time we have reached our present ages in the military service, we have many times come face to face with the dilemma of whether or not we are going to follow even the simplest and most fundamental of organization principles, or whether we are going to try to build our organization around a few prima donnas whom we have to take, even as somebody had to take Halsey, or this morning somebody is going to have to take Shattuck.

In order to help us factor this problem, we have invited Mr. Frank Gilmore, associate professor of management, School of Business and Public Administration, at Washington University, in St. Louis, Missouri, to be with us this morning. You have probably already read his biography and have noted his rather wide experience as a writer, a lecturer, a teacher, and a businessman.

Frank, it is a real pleasure for me to be able to introduce you to this audience, and I know that what you have to say is going to make a real contribution to the executive skills program. Mr. Gilmore.

MR. GILMORE: Thank you very much, John. I appreciate your cordial welcome and introduction. I am very happy indeed to be here with you this morning, but I come with a great sense of humility. I am very humble because the subject assigned to me is probably one of the most crucial in the field of human endeavor. I am humble also because I have had my share of disappointments and disillusionments in trying to accomplish worth-while things through other people in working at this problem of administration, and I have probably made more than my share of blunders in the process.

Yet, I am happy to have this opportunity to discuss the problem with you because it is only through such interchange as you are going through day after day, that we can gradually improve our batting average in this exciting field of human relations. I am as much a student in this area as you folks are, and I expect we will go on being students for the rest of our lives.

The subject assigned to me is so vast, "Organization and People," that I shall have to be highly selective in what I try to say this morning. The theory of organization has been discussed in many books and articles, and the subject of human relations is being explored at an accelerating rate--almost an exciting rate.

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However, in spite of the size and complexity of the two fields which I have been asked to bridge, I believe there are at least four keys to the successful organization of human effort. The four that I shall mention this morning are probably the ones that you haven't heard in just this way before. I haven't seen them presented in this manner, but I find it helpful personally to think about the problems this way.

The first of the points that I should like to discuss with you is that it is vital that organization objectives be clear, well balanced, and unified. Second, the basic concept or theory of organization must be sound, clearly understood, and reasonable in the eyes of those affected. Third, an atmosphere favorable to participation must exist. Finally, there must be an active fostering of the dynamic quality of growth, a constant building of the people within the organization.

Now, if these four ingredients are present, I believe we have the groundwork for effective organization of human effort. Let us look at these ingredients a little more closely.

The first one, namely, that it is vital that organization objectives be unified, clear, and well balanced, means something like this to me. There must be a unity of purpose throughout the organization in order for coordination to be achieved. All divisions of an organization must pull for a common, over-all objective. As a matter of fact, we have often seen that effective coordination is disrupted, or even destroyed, if we do not pull for common objectives. You have seen the situation in your own line of activity, and I have in industry.

Take an industrial situation as an example. The sales division may sell on the basis of immediate delivery while the production division produces on a hand-to-mouth basis, because the comptroller of the company is dead set against the accumulation of inventories, all of which means that the personnel department is left "holding the bag," with a fluctuating and unhappy work force. Any one of those conditions is an important objective, but if it is not effectively controlled at the top, the result can be rather destructive and corrosive to human relations and the effectiveness of the enterprise itself.

The second aspect, in relation to objectives which I want to stress, is that the establishment of an effective unity of purpose for the enterprise as a whole is one of top management's tasks. It is a matter of navigation. I don't pretend to know anything about navigation, and I realize I am in the company of experts, but in language that I understand, navigation has always meant moving either by land, sea, or air from a known position to a known objective. Frequently, it is necessary to determine where we are, to make a size-up of the present situation, find out where we are moving from. Then we can lay out our objective on a chart or a map and plot a definite course to get there.

Sometimes, however, the objective has to be modified because of weather conditions or because there are obstructions in the path. This involves forecasting, looking ahead to try to determine what the best path for getting to our objective is. As in navigation, top management must keep reappraising its position, its progress, and its objectives, if satisfactory goals are to be achieved.

The process of operating effectively at the top management level--the chief executive's job--is one that we can afford to study frequently and hard. It involves not only navigation, but it involves diagnosis. The business of trying to size up where we are is a process very akin to diagnosis in the medical profession. I think it was A. Lawrence Lowell, one of the past presidents of Harvard, who said that the great art of life lies less in solving problems than in discovering the problems to be solved--not quite like your "estimate of the situation" where you know what the mission is. The top management officer has to determine what the mission is, involving a diagnostic process. It involves sizing up the situation as a first step. As a second step, after you know where you are, you must decide on the general purpose to be aimed at. Third, it is necessary to set up the organization and educate its members to carry out that purpose. Fourth is the determination of the strategy of action, the sequence and timing of moves. And fifth, you must follow through to learn how these plans are being carried out and whether they are being carried out effectively.

Professor Lockley, who is on the faculty of New York University, set down five essentials of executive ability that struck me as being sound and rather helpful. One of these was the power of rapid orientation, the ability to sort through a mass of facts, and often conflicting data, and somehow to make some sense out of it and to see the drift inherent in it. The second point was the ability to delegate work properly and effectively. The third was the capacity for analysis and synthesis. Given all these facts, how to make sense out of them, an orderly procedure of analysis is helpful. And fourth was the aptitude for making prompt decisions. We never have all the data we want. The pressure is often great. We have to make up our minds promptly. The mark of a good executive is his ability to do that even though his better judgment and common sense would tell him to get more facts to work on. Finally, the last quality was the art of policy thinking--ability to think effectively in this area of looking ahead and setting objectives.

It seems to me that the first four of these qualifications apply very nicely to the matter of making day-to-day operating decisions, but I am not so sure that they define the problem of the top manager's job. The fifth one, the art of policy thinking, states the problem. The top management man, the man in charge, has a job which is distinct from the others. Really, when you come right down to it, he shouldn't make his decisions too promptly. He should take time to ponder a problem. He should analyze it thoroughly--go into every possible ramification--because if he doesn't,

the decision that he makes, setting the course of the business as a whole as it does, could very well wreck the business. The leverage in his decisions is tremendous, much more so than the day-by-day operating decision that the fellow, an echelon or so below, is responsible for making. Thus, to the extent that the general direction in which the company is moving affects the organization objectives of the company in its various parts, top management has a profound influence on unity of purpose. If we can get the course of the unit as a whole set, then the various divisions of that unit can gear their own objectives together more effectively.

This unity of purpose, stemming from the objective of the company as a whole, can only be set up by the top group after a careful consideration of external, as well as internal, factors affecting the organization's welfare and future. But, it is at this point that unilateral action from the top as regards organization planning should cease. Clarification of objectives and balancing the objectives of the various parts of the organization call for different approaches.

Clarification of organization objectives comes out of an understanding of the problems which need to be met. That sounds so trite that it hardly ought to be said, yet how often do we try to sit up in an office and lay down an organization chart that we think will be effective in accomplishing a particular goal.

On the other hand, I would like to approach the problem from the bottom up. Building from the bottom up provides a sounder basis. I would like to cite an example of how that can work.

Some years ago a study was made of the engineering and manufacturing divisions of an important company. This happened to be during the war. The survey was made because some problems had arisen, and it began to look as though the way the company's engineering and manufacturing activities were organized was not too effective. The need for the study grew out of the early experience of the company of operating under an organization plan of decentralized operation. Difficulties had arisen in the engineering and manufacturing divisions which caused many executives to reopen questions of organization policy.

Under the emergency of war this particular company had to expand rapidly. They had to move into several plants, and the experience of operating a multiple plant setup was new to the management.

Questions began to be raised, as these plants were built and various plant managers were installed, as to whether complete centralization or complete decentralization might be better than the existing plan that seemed to be somewhere in between the two extremes.

By centralization in that case was meant that each major functional activity--such as engineering; methods work, which involved translating engineering design into operation sheets; production control, which embraced planning schedules and controlling the flow of work through the plant; and accounting personnel--would be headed from the central organization, leaving the plant manager as a sort of coordinator without direct authority.

Decentralization, as it applied in this instance, was thought of as having a plant manager in direct charge of each of these functional departments at his plant, leaving the central organization in a more or less staff capacity.

The absence of a clear conception of the basic needs of the company, in engineering and manufacturing, when operating at several plants, had made it difficult to formulate a definite organization policy. Hence, the study was made. The major purpose of the study was clarification of the fundamental objectives underlying the engineering and manufacturing activities of the company in order to establish a sound basis for organization planning.

The method of attack was to study the problems existing at the work level. An analysis was made of the flow of manufacturing information, drawings, operations sheets, and so on throughout the company, and a comparative analysis of the company's products was conducted in order to determine clearly the pattern into which the various phases of preparation for manufacture fell, and to ascertain the current condition of manufacturing activities. Correspondence between plant methods engineering departments and the central methods engineering departments was carefully studied so as to gain a detailed insight into the activities of a typical plant and the central organization on methods problems. Time was spent in machining departments and tool cribs of the plants in order to obtain a first-hand picture of shop conditions. Tool rooms were visited for the purpose of determining the degree of control being exercised over tool production and the tie-in of tool production with the flow of manufacturing information. The current status of production control activities was reviewed. In all, about 70 individuals were interviewed, ranging all the way from the top management, the president of the company, down to the shop foremen, section leaders, and stockroom clerks.

The principal conclusions of the study were to decentralize, geographically, the activities of product designing, methods work, and production control, so as to permit more complete coordination at the plants; but, because the organization was so weak at that stage, it was felt that they probably would have to maintain centralized control. The reins were still held by the central group.

These conclusions--and this is the interesting point, I believe--were agreed to and the changes were made with full cooperation, even though it

meant the moving of substantial groups of people and realigning relationships, because the organization objectives grew out of the needs and were shaped from the bottom up and were understandable to the people involved. Inasmuch as they had been consulted, they felt more inclined to go along.

In contrast, design of the organization structure on a theoretical basis from the top of the organization can be a fruitless exercise. How many of you have seen this done or have participated in it? Let me illustrate by citing a situation in another company where a study was made, this time from the president's office. In fact, the president himself was very closely involved in it. The study was made for the purpose of examining the organizational structure of the company, to appraise its adequacy and propose the changes which should be made to improve its adequacy.

The appraisal was to include--and note the approach that was used--an examination of the history of the organization structure for such perspective and lessons as it affords, a discussion of organization principles and the degree to which we are complying with them, a comparison of our organization structure with those of other companies of similar size and complexity, and the arguments for and against a change in the present structure.

Much time and effort was expended by the president of this particular company on this top-oriented approach--ultimately, however, to no avail. The conclusions that he reached on needed improvements and the proposed changes were uniformly and emphatically opposed by his organization because they didn't feel his conclusions and suggestions were geared to the company's real, basic problems.

Now, the objectives of the various parts of an enterprise must be kept in balance--this is another way of stating my third point, namely, that the objectives must have unity of purpose--in order to avoid lopsided development with consequent friction and loss of effectiveness. One of the very difficult areas in administration is avoiding having the pendulum swing too far when attempts are made to restore balance in the organization.

An example that occurs to me is one where there was a shop that had been used to working from on-the-spot instructions from the foreman. The engineering information and methods of doing the work were largely matters that the foreman developed in his mind. With a change in the manufacturing management, it was felt that the situation could probably be improved by insisting that all operation sheets and engineering drawings be brought up to date and that the shop work only in accordance with such up-to-date information. That was a logical objective, but in the process of trying to carry it out, it occurred that the methods department responsible for making up the operation sheets and for making sure that the shop got only up-to-date information was made too strong. The result was that the foreman ceased to feel very much responsibility about what was to be done

at the shop level, so began to ease up a bit. As soon as an easing up occurred at that critical level in the organization, the effectiveness of the whole enterprise suffered. So it is a tricky job, but a very important one, to maintain some reasonable balance between the various parts of the organization.

In addition to the above requirements, with respect to objectives, the basic concept or theory of the organization structure must be sound, clearly understood, and reasonable in the eyes of those affected.

A large company during the war did a splendid job in terms of delivery, but there was one aspect of administration that was not too well done. There seemed to be confusion as to the basic concept by which they were organized. I can probably best picture this confusion to you by running over quickly a few discussions that were had in division manager's meetings in which the top management group tried to explain how staff people and division managers should work together. Here is an example:

"The Executive Vice President was asked to explain the basic idea of the new organization. He pointed out that the various divisions of the company were bolstered by the addition of a central staff. The people on this central staff were the people regarded as the best brains in the organization for the specific functions to which they were assigned. In answer to the question, 'For whom do I work?,' it was stated that the Division Managers would work for everybody on the staff. In other words, if there were a division that had nothing but manufacturing in it, it would be working 100 percent for the manufacturing head. If there were a division having only engineering work, it would be working for the engineering director. But, inasmuch as each division had a broad scale of activities, they were working for everybody on the functional staff.

"The plan did not mean that the staff man was going to come down to the division and specify every move that was to be made; it meant that the Division Manager was to act to the best of his ability, and when he needed help, a staff man would be available to look over the situation and to make suggestions as to what should be done to improve the function. It was emphasized that these suggestions were to be complied with. The Division Managers were to have responsibility and reasonable authority."

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"One Division Manager raised the following question, 'Suppose I have a man in my organization who gets an answer from a staff representative, of which I have also received a copy. He doesn't put that into effect until he checks with me. Is that right?' The answer given this Division Manager was that he was still the Division

Manager, and the man in his organization was still working for the Division Manager but receiving guidance and suggestions from the central office. It was again emphasized that the central staff group was responsible for the successful conduct of their line of activity at the divisions. The question was answered negatively, in that it was stated, that the directions from the central staff officer constituted a direct order on both the department head and the Division Manager, and that the department head didn't have to wait to talk to the Division Manager about it, but rather could put the instruction into effect."

In another instance the president of the company attempted to help out a bit.

"He injected the thought that the Division Managers didn't want to get the idea that the central office was going to run the Division Manager's plant. He said that the Division Manager should bother the central office the smallest amount possible but use them when necessary. Otherwise the company might as well separate into subsidiary companies and there wouldn't be a reason for the Corporation. He suggested that they not worry too much about authority. He said he had gone into Division Managers' offices where the desk was littered with papers and everything was beautifully bottlenecked because the Division Manager didn't want anybody to do anything until he has told them to do it. This simply illustrated the need for greater delegation."

In another case it was stated:

"On the subject of organization charts it was stated that they were not to be taken too seriously. The functioning of the organization as a whole was said to be dependent upon the people in the organization wanting to do the job."

A little later it got to the point where they weren't getting along very well, and the general manager or executive vice-president said:

"This Corporation is too big to have any one man as General Manager. Therefore, in effect, we are making this whole big staff of eight or ten men general managers."

Things got a little warmer as time went on, and the president was forced to say:

"Personal prestige in this Corporation means less than nothing. The thing that counts is the Corporation's success. A team success. There will be very little sympathy for the Division Manager who creates a situation and it is found the only thing that suffers is his own prestige and feelings. There is enough glory and reward for everyone to get his share. Personal prestige means nothing."

At another point the going got tougher, and the president said:

"Ninety-nine percent of our difficulties, irritations, complaints and criticisms will clear up if you fellows will work direct. I am going to go one step further and say this. If you do not do this, we are going to begin to question your motives and think you are trying to cross things up. If you persist in doing it, we are definitely going to question you as to whether you are really honestly trying to do the job and play the game as it should be played. We are going to be less charitable."

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"It is all part of the idea that we do not want the staff to work just as consultants. When the Division Manager is in trouble, we want him to call the staff for help and when he isn't getting help, we want to know about it. We want the staff people to have responsibility, not be just advisors and consultants. They may know someone who can be spared at some other Division to help out. The staff man can demand that help be given, I want to get away from this idea of consultant."

Top management seemed unable to explain the basic program. There was confusion in the use of the words--"consultant" and "responsibility." That confusion ran all through these division managers' meetings. The situation, however, was not just a logical or intellectual problem. It was an emotional problem as well. The people were concerned with such questions as: Where do I fit? How much authority do I have? Am I appreciated? Do I believe in the appropriateness of this plan?

Management in this instance forgot that, to organize a facility in a new and rapidly growing situation with strangers, words were more important than normally. I suspect if they had to do it all over again--and some of them have told me that this is so--they might very well get a man who is good with words in the organization field, a staff man who could help out on their organization plan.

But given sound organization objectives and theory, a third ingredient is essential to the effective organization of human effort. That third ingredient to me is an atmosphere favorable to participation.

Participation has often been referred to as consultative supervision. I think that term was coined probably 12 years or more ago. The supervisor consults with his subordinates before issuing an order. The people he supervises are given an opportunity to help shape the objective--the opportunity to voice any objections to the action. A good leader--you have observed this time after time--employs the principle of consultation constantly. He knows he will get better teamwork and improved performance if his workers participate in developing the program. He knows, moreover, that the program is likely to be a better one. He will pick up some ideas that are useful.

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Consultation has meaning only if those consulted are informed of the facts in the situation and have a chance to think about the facts and to come up with ideas related to them. Cooperation and teamwork are developed best by a leader who gives his followers the facts, and consults with them in developing policies and programs which will guide the activities of the group.

This idea of participation and consulting can be greatly facilitated if frequent face-to-face contacts are possible. More and more we are finding that face-to-face contact is one of the greatest helps in effective administration. Sometimes organization for the purpose of coordination of effort takes on a physical aspect. Often because of long lines of authority and the number of different departments involved, located at diverse points, it is necessary to resort to some special approach at the actual point of operation. The increasing use of the task force idea is an outgrowth of recognition of this problem. The task force makes possible the all-important face-to-face contacts which are so basic to active participation in decision making.

In one rapidly expanding company, this lengthening of lines of authority, coupled with the increasing number of departments, and the accompanying geographical dispersion that took place, brought about a serious problem of coordination at the operating level. This was particularly a problem in connection with unification of product engineering, of production engineering, and production control in connection with each of the major products made by the company.

This problem was first attacked by setting up so-called product supervisors. There was a real feeling of need on the part of top management as well as people down the line for someone who could provide a sort of statistical clearinghouse with respect to each product, and therefore be of help in coordinating activities.

The product supervisors were put together in a room far removed from their respective operations. They were given every help as far as getting together statistical data were concerned, but they had little to offer the operating people because they were too far away from the scene of action; they had less to offer the top management group because their data had little meaning. The product supervisors were out of touch with reality. This turned out to be an abortive effort.

The problem was finally recognized as being a geographical problem, and it was decided to set up a product team at the focal point of the product's activity--within the finished-parts stockroom in the assembly area. It was felt that steps would have to be taken to make it possible for final decisions on problems arising in connection with the product to be made on the shop floor at the point where the essential facts were gathered. So the engineer, the methods man responsible for working up operation sheets and specifying the tools necessary to make parts, and

the production control group responsible for ordering parts were physically picked up and housed inside the stockroom. A product manager was placed in charge of them.

The product manager was made a staff man on the staff of the plant manager so as not to disrupt the existing line of authority in the company. Even though he did not have direct-line authority over these different groups, he could act as informal chairman. The product managers, who had the reasonable qualities of leadership in the making, were able to do a superlative job in pulling together the activities concerned with their product and seeing that the product got out on schedule.

Consulting is often essential if we are to avoid organization moves that are unrealistic. For example, one aspect of organization--the training of new supervisors in their responsibilities--can be ineffective if we are not careful to attune the program to the respective needs of the new supervisors. It is so easy to say: "Very well, if he is going to be a good foreman, he needs psychology. He has got to learn to get along with his associates; he has got to work effectively with his subordinates. He has got to know something about human behavior." So we set up a training program--this is done time and time again--and start pumping psychology in all its technical aspects into these new supervisors. The vaccination somehow doesn't take. The supervisors may be actively worried about why their production lines aren't running effectively; why their units aren't operating as they should. Psychology, as such, is not what they think they need.

Would it be better, possibly more effective, if we made a little skirmish and found out what it was that was bothering these new supervisors, what their work problems were, and what they felt they needed. There is no lack of material here. If the new supervisor will open up with you--and you may be able to get him to under such circumstances--you may be on the road to cracking some of the really difficult problems the organization has had prior to that time.

Consulting is one of the best tools I know of for helping to gain an insight into the impact of action on people in the organization as a basis for better action. To me this is getting close to the heart of the whole thing. How can we, all of us in this room, who are very much interested in the problem of effective administrative action, get better insight into the impact of our actions, whatever action we take, on the people whom we affect, and get that insight in advance so that we can have a better basis for action?

Increasing this insight depends on developing the supervisor's awareness of his own beliefs, his own attitudes, his own assumptions, his preconceived ideas, and his own perceptions. Once he has become somewhat aware of his own beliefs, the supervisor can check their usefulness against his experience and begin to modify his beliefs and his attitudes where experience indicates their inadequacy. This is the first step:

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Take a look at yourself in action in human situations. This reflection about experience in relation to personal beliefs is perhaps the most critical element in every-day growth and development on the job.

A final ingredient which to me forms an essential element of the effective organization of human effort is the active fostering of the dynamic quality of growth, actively building the organization and making the people who are working with you feel you are interested in building them as elements of the organization.

In the final analysis all life processes are based on growth, a constant renewal. So it is with organization. Given a worthy objective, a soundly conceived organization structure to achieve these objectives and an atmosphere of participation, the entire process is vitalized by the life-giving nourishment of the development of men for management. The awakening in this regard that is sweeping the industrial and military world is exciting and most reassuring. Executive training programs like this are springing up all over the country. To me this is the most significant recent development in the entire field of organizing human effort.

The essence of my remarks this morning is that effective organization of human effort calls for a blending of organization and human relations concepts into what is in reality an organism. It is a live, a vital being, a composite whole, possessing a personality of its own. It can be a taut ship, and at the same time a happy ship if objectives are unified, clear, and balanced; the underlying theory is sound and clearly understood, and reasonable in the eyes of the organization; an atmosphere favorable to widespread participation exists; and there is an active fostering of the dynamic quality of growth and development of men for broader responsibility.

But, standing out as a beacon light in this more or less integrated approach to organization and people is the concept of participation--an approach which springs from a genuine respect for the personal integrity of the people in the organization, for their experience, for their feelings, and for their point of view.

The answer to human relations problems, and in the final analysis the solution to the problem of coordination itself, which is the very crux of business organization, comes more easily if we are willing to consult before we act.

(13 Jan 1953--500)H/G/ijk.