

INTRODUCTION TO MANAGEMENT

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AND

THE CHANGING ROLE OF THE EXECUTIVE

15 September 1953

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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INTRODUCTION TO MANAGEMENT

15 September 1953

ADMIRAL HAGUE: You have all become acquainted with the gross national product. You have heard quite a bit about it. You are going to hear more through the year as we go on. How big is it? How must it be divided? How much of it is necessary for the essentials of living? How much must we allocate to the military in order to carry out our national objective? How much butter have we?

Well, the gross national product depends to a great extent, of course, on the productivity of American industry. We spend a lot of time, thought, and attention in this country to increasing that productivity. We are really a remarkable country, with our plants, our equipment, our methods, our techniques, our designs. There has been a lot of very sharp thinking going into it and we are enjoying the fruits today.

But I would say within the past 15 years, the leaders of our industry came face to face with one molecular fact--regardless of how beautiful the plant, equipment, design, techniques, the thing had to be run by human beings, and that introduced a huge "X" into the equation.

Considerable work has been done on that variable and with very fine results. I have been impressed with statements from this platform as to how much the national product can be increased by bringing more people into the working force, lengthening the hours of labor, and so forth. But there is a vast field still left to be cultivated, for increasing the gross national product and in improving human relations in industry.

Now, how much? That is a little difficult to say. But I can tell you from my own experience in one plant where human relations were rather good, there was an increase in productivity of 25 percent by improving human relations--not making them perfect, merely improving them. And that is really the heart of the section of the Manpower Unit that you are about to embark on today.

I think you will find it fascinating. Your predecessors have been most enthusiastic about this particular course.

One of my professors at MIT was an old Scotchman who used to strew a pearl once in a while before us in the form of an epigram. One, I

remember, was: "It is well to learn by one's own mistakes; it is much better to learn by the mistakes of others."

Actually I have done considerable work in that field in the course of my career, as a matter of the way the duty happened to fall. I learned all I know about this subject from what I call the "bloody nose school." That is the school where you blithely go ahead, preaching all the time, doing what is right, and all of a sudden you run against a stone wall. You back off; your nose is bloody; you have lost some skin; and you come to the conclusion, "Heck, there must be an easier way of doing it than this." It is a hard school, and it is much, much easier on the epidermis if you can learn from the mistakes of others.

Now, in a short, concentrated course, you are going to take up several cases, examine them. Something is wrong. What is wrong? Who did it? What should be done?

The faculty members will guide you in your discussion groups. They may ask pertinent questions, come-on questions. But they have no solutions. The solutions are yours to arrive at by discussion with your fellow students. If you stop to think of it, it is a wonderful opportunity. There is not a person in this room who does not possess leadership qualities in a superior degree or you wouldn't be here. Here are some real cases, a little complex. I don't know that there is any one solution; there may be many solutions. I can assure you that I do not believe there is any best solution. I think you can arrive at better solutions.

This field of human relations is an art. It always will be an art, simply because all human beings except you and me are deplorably unpredictable. But you have a chance to sit down with other acknowledged leaders to discuss these cases, to get other people's ideas and reactions, and to ferret out, if you can, first, what is wrong; second, what is a good solution.

During the course you will be addressed by experts in this field on various facets of the general philosophy. After the lecture you will consider the case. You will have a chairman. The individual groups will be able to exchange information as to their solutions through their chairmen and with the benefit of having the lecturer there to comment and to moderate, to point out.

This has been a course to which, I believe, past student bodies have reacted most enthusiastically. While I recognize that this group is definitely superior--the faculty tells me so and I believe it is-- I see no reason to suspect you won't react the same way.

We have a tight schedule. I am going to take up no more of your time. Our speaker this morning, Mr. Thomas H. Nelson, will speak to you on "The Changing Role of the Executive."

We are particularly happy to have Mr. Nelson with us this morning because two years ago when we started to construct this particular section of the Manpower Unit, we called him in as consulting architect and engineer. He has had a large part in the building of this particular course.

Mr. Nelson, it is a great pleasure to welcome you back again to the Industrial College.

THE CHANGING ROLE OF THE EXECUTIVE

15 September 1953

MR. NELSON: Thank you, Admiral. Admiral Hague, General Greeley, and gentlemen of the college. This is one college from which I never really want to graduate because I have enjoyed my experiences here, this being the third time that I have had a chance to share some ideas with men like yourselves.

In view of the fact that I am going to try to cover a pretty broad area, "The Changing Role of the Executive," and do it in a short time, I am probably going to seem a little dogmatic at certain times, but we will have an opportunity to take a look at some of these studies later in the morning and disagree with them if you wish.

The modern executive is quite different from his old-fashioned predecessor. At times, at least, he performs differently and he even thinks differently. He has to be different in many respects from his predecessor of 30 to 50 years ago.

The reality of this difference was brought very vividly to my mind not long ago when the vice president of a small company in the Midwest asked me to sit down with his father, the president and owner, and discuss with them some of their problems.

The son was concerned because his father wouldn't permit him to introduce modern management into the enterprise. The father was deeply concerned and puzzled about what had gotten into the minds of the workers. A year ago the men had organized a union and shortly afterwards they called a strike. The old president couldn't understand how his workers, to whom he had given jobs all these years, could treat him that way. He had loaned them money when they were sick. He sent many of them turkeys at Thanksgiving and gifts at Christmas. He was not only puzzled, he was hurt.

The president finally agreed that I should interview the supervisors and a sampling of the workers. One young worker told me how the president, upon hearing he had been put in jail for smashing up a car when he was drunk, had called the sheriff, loaned the boy 200 dollars to pay the fine, and guaranteed his good conduct. And he said, "The old man is just wonderful that way. I could go up to his office right now and borrow a thousand dollars if I really needed it."

But as he talked along, he made it clear that he was not happy about his job or with the way in which he was treated day by day. He

was not certain who his boss was. He got orders from a lot of different people. He never knew when he was doing his work right; occasionally, he knew when he was doing it wrong. He was torn between political factions among the supervisors. He was frustrated and under heavy nervous strain. He saw no future with the company. In fact the day after my interview the healthy looking young man was taken to the hospital with a nervous breakdown. I am perfectly certain it was the strain of his job and not my interview that sent him to the hospital.

The whole plant was poorly organized. Supervisors were technically qualified but weak in human relations and leadership. Communications up were nil. Those across were rather spotty. And communications down were limited practically to orders and instructions that had to do with the work. The more experienced workers were gradually leaving the company and taking up better paying jobs with new plants which had recently been established in the city by more progressive companies. The conditions in the company were practically the same as they had been for years. That was the trouble. The times had changed and the president had not changed, so he and his company were in trouble.

This morning I shall attempt to do two things in the light of that kind of situation: First, I want to describe very quickly the situation which requires today's executive to be and to perform differently from his predecessor; and, second, I want to list and describe very briefly the major characteristics and skills required of today's executive if he is going to meet the new conditions of which he is a part.

Let us look first at the situation. The first point I want to make very briefly is that the economy is different. Whether we like it or not, the business executive is operating his economic enterprise in a changed economy. The laws of supply and demand, which, until quite recently, had taken on an immutability, are being modified by organized planning and government action. Society itself is demanding that the dizzy heights and dismal depressions of the economic curve be better controlled.

Sumner Schlichter, one of the outstanding industrial economists of our country today, says in his recent challenging book, "What's Ahead for American Business," "The most important of all the changes 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." I am just quoting now and you can take your own position as I did. "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."

And, second, says Mr. Schlichter, "The changing attitude of the American people toward the economy promises to bring about important modifications in the economy itself The new point is 'full employment' No matter what happens to prices and incomes, full employment must be maintained or at least actual employment must be kept as close to full employment as possible." Mr. Schlichter goes on to say that future experience with the difficulties of maintaining full employment may change this viewpoint but at present the idea has a powerful influence on the economy.

In brief, economic enterprise is being judged by its effects on people, the employees and the public, not merely by its products and its profits.

Whether we like it or not, whether or not it will work in the long run, the executive today must understand and operate in a modified economy.

The second major point of change is: The authority of position is weakening. In this new situation where the executive is being held more sharply responsible for the social effects of his enterprise, he finds that the authority of position or rank is weakening. The authority of rank or position often has to give way to expertness-- or to the influence of leadership which has lesser rank or position.

A generation ago most persons assumed that the correctness of a person's judgments correlated highly with the rank of his position. Most persons tended to obey, to submit, to comply, and to conform when persons in positions of authority spoke. Position carried respect and acceptance.

Today the minister, the teacher, even the parent holds rank but he is not accepted as often as he once was merely because of his position. Today he has to prove his ideas; he has to persuade; or he has to present evidence. Even the proud parent often finds his authority challenged by the small chip off the old block. In recent years it seems that even the posterior portion of the anatomy of the modern youth has lost its sensitivity to the authority administered through the laying on of hands.

Perhaps we persons of rank take refuge in blaming the times; or the subversives; or even some political leader; but sober reflection will remind us that we cannot teach the scientific method to 80 percent of our youth in our schools and colleges without training them to ask, "How do you know you're right?" "What's the evidence?" "Can you prove it?" Or, in more typical language, "Show me."

The executive of today and tomorrow faces the need for becoming more expert in the use of motivating leadership that enlists voluntary and enthusiastic response of persons so that they regard themselves as participants not merely as subordinates or the followers of the official leader. Sometimes this is called consultative or bottom-up management.

The effective leadership of today is earned from those being led, not merely imposed by authority of rank or position. In times of full employment, it becomes comparatively easy for an individual to accept or reject other authorities even though unjustly; only recently we have come to recognize that in addition to the authorities of law, position, expertness, leadership, and the authority of the situation, there is the authority of the individual to accept or reject all other authorities. It may come to a bad end, but hundreds of individuals today are exercising their authority to accept or reject. The organization of workers into unions and even in less formal pressure groups makes the authority to accept or reject felt very definitely by those who depend on mere rank or mere expertness of ideas.

There's a very wide difference between the authoritarian who says, "I have the right to see that these persons do what they are supposed to do," and the motivating leader who says, "I have the responsibility to see that these persons want to do what they're supposed to do"--a slight change in words; a great change in voice.

The changing role of the executive requires that he be a motivating leader, not merely an authoritarian.

A third set of difficulties that force us to look at change is the limitations on the executive's freedoms. Today's executive isn't permitted to do many things which his father or predecessor did. If you and I were to write down all the things which today we cannot do 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. Sometimes 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 prescribed conditions. We can't call a lazy, good-for-nothing worker the name he deserves and the one we are thinking of 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.

A fourth set of factors in bringing about change is new subject matter of management which is evolving and which complicates the modern executive's job. Forty years ago or even 25 years ago, the

subject matter of management was limited. Management know-how was passed on by word-of-mouth like Indian lore. When I started an evening school in Dayton, Ohio, in accountancy and law in 1914, there wasn't a single textbook on accountancy available. We had reports that we made up with a lot of space between the lines so as to make them look like books. Today one could spend his full time merely reading the current issues of books, articles, and speeches just keeping up to date--actually eight hours a day, five days a week--and he wouldn't have time to go back and catch up on what had preceded.

The subject matter of management is rapidly evolving and today there are a thousand books and articles on management for every one that existed a generation ago. For centuries there has been a science of military administration. To a lesser extent perhaps there has been a science of political administration--at least it has been used less. But the scientific subject matter of management is younger than the average age of this group. And the subject matter is being poured out of mouths at conferences and conventions, and graduate schools, and rostrums like this, or in printed pages of books, so fast that it's almost impossible to keep up with it. One of the toughest jobs of the executive today is to keep up to date. Even the college graduate finds that he has to re-examine and often revise ideas which 10 years ago were regarded as sound and progressive.

The fifth group of conditions that are forcing us to change is the maintaining of balance, not profits, the primary task of management in industry. Now be careful how I am quoted at this point. I ought to preface this with the statement that if any of you can tell me how to make more profits, I will be glad to hear you. But maintaining a balance among all of the factors for which the management is responsible is the primary task of management.

A generation ago, it was generally accepted that the primary, almost exclusive, aim of management was to make a profit--to produce the largest possible returns on investments. Today the forward-looking executive finds that his job is not merely to make profits despite the fact that it is absolutely necessary to make profits to stay in business.

The principal task of the manager today is to maintain a balance, a four-way balance among the attractive returns on investments, worthwhile services to customers, rich satisfactions to employees in and on their jobs and with their associations, and a climate of public opinion that permits the enterprise to operate successfully. The task of maintaining a balance between the demands of investors, customers, employees, and the public is the real job and the tough job of management. It is tougher than making a profit. It requires a different viewpoint and a whole new repertoire of abilities.

In brief, then, the situation might be summarized somewhat in this way: The executive of today is at work in a changed and continually changing socioeconomic setting in which there is a changed economics, a weakening of authority of rank or position, a limitation on management freedoms, and an increase in his obligations to better understand and more effectively deal with the individual, particularly the subordinate.

The executive works in a situation where he must supplement his knowledge and skills of things with an even greater knowledge of persons--to his mechanics he must add humanics.

Lawrence A. Appley, president of the American Management Association, says in "Management News" for March 1953: "There is a tendency among people in management to view the results of our efforts in terms of statistical reports, graphs, and over-all trends, without adequate study of what real changes and improvements take place in the individuals on the pay roll." And then this key sentence: "Management, however, attains its objectives by increasing the knowledge, adding to the skills, changing the habits, and influencing the attitudes of people."

Fortunately, the science of psychology is providing us with reliable understanding of what makes a person think, feel, and act the way he does, and the science of sociology explains why persons in groups behave the way they do. From now on, the executive must add the sciences of psychology and sociology to his engineering, his finance, and his business administration if he expects to get desired results through people.

Now let us see what is required of the executive. I can only list here very briefly some of the major groups of skills and abilities required.

The first set of skills arises from the fact that there is a responsibility to develop as well as to direct subordinates. Every person who directs subordinates has a corollary, a Siamese-twin responsibility for developing those subordinates, and that is somewhat of a new concept.

Most persons are potentially bigger than they now are. Most persons have blueprints of unfinished selves. They can improve their performance. They can grow. Recent experience with management development programs of many companies convinces me that one of the best ways of motivating high-level performance on the job is to provide the individual study on how to do better. The knowledge and the skills required to effectively direct persons are many and fairly complex. I can only list a few under this point:

1. The executive has first to know how to appraise the performance of the subordinate in terms of what handicaps him. Is it lack of knowledge? Is it lack of skill? Or is it lack of proper attitudes and motivations? He must also uncover the subordinate's potentials. What are his possibilities? What is his target job? One has to be a geologist of human resources. He has to know how to use a psychological Geiger counter to discover hidden deposits of human abilities that can be mined and processed into larger economic values and personal achievements.

2. He must know how to help each individual to set a target and plan a career appropriate to the individual interests and aptitudes and, if possible, appropriate to the company's future needs. That was only for vocational guidance people in school at one time, but today executives are exercising this responsibility.

3. He must know how to prescribe remedial exercises of experience and training to improve the individual's performance and help him to grow.

4. He must learn how to make work experience richly educational. Mere exposure to experience has been overrated as a teacher. So often mere experience is a slow, costly, and ineffective way of developing a person. You learn from the mistakes of others not one's own.

5. He often needs to personally counsel and advise an individual on problems that go far afield from mere technical performance.

6. He often needs to be a coach on the job, and that requires skills beyond the technical or the giving of orders.

A second group of principles arises from the fact that the executive today must establish and maintain wholesome human relations on all person-to-person contacts. It would take hours to list all that is required in this area. They fall into four groupings:

1. Handling complaints and grievances so as to satisfy, not merely silence the complainer. I have seen men who were good at silencing complaints for a while, but they were not good in satisfying the complainer.

2. There are those skills which have to do with correcting mistakes so that the person is happy about the correction, not merely resents it and plans to get even.

3. Skills that have to do with administering discipline so that it helps to change the person, not merely dispense punishment justly according to the regulations.

4. There are skills in this area of giving recognition and appreciation for work well done so that persons get rich satisfactions out of good effort and so that they are motivated to high-level performance at all times.

Skill in these areas of human relations requires a viewpoint not characteristic of the old-fashioned executive. Today's executive regards each person as unique, as different from all other persons, at least in some significant aspect. That uniqueness must be taken into account in dealing with him.

A subordinate is not merely a "doer of work," a unit in a mass of workers. He is a man who is unique, different, and, to him, a most important individual who has a right to satisfactions on his job, in his work, and with his associates. He is not paid off completely in his pay envelop. He has a right to individual and personal recognitions, the feeling that he counts, and some hope for a better future, and a sense of belonging to something bigger than himself--and that you don't put in the pay envelope.

The key to these human relations skills is what you might call the "case approach" versus the "authoritarian's approach." The case approach regards each person as unique. It recognizes that you hire the whole person, not merely the knowledge, skill, experience, the time, and the energy that the job requires. But you also hire attitudes, emotions, dispositions, prejudices along with it and no individual can check these attitudes, emotions, and dispositions in his locker along with his lunch. Even the executive keeps those attitudes and emotions right on top of the correspondence. It is the easiest thing to stumble into in his whole experience. It would be nice if we could hire so much knowledge, so much skill, so much time and so much energy, but we can't, and the case approach recognizes that we get the whole piece.

The approach to each human relations problem consists of two key questions:

1. What makes him act this way?
2. What does he want?

The old-fashioned executive tended to approach each trouble spot with such questions as: "What's wrong here?" "Who's to blame?" And in industry the third question was, "How and when do we get rid of him?" I suspect in the military it was, "How and what kind of discipline do we give him?" since, as I understand the military situation, it's not so easy to get rid of him, although I must admit I have seen the transfer technique work even in the military.

The old-fashioned executive could command conformity, compliance, and obedience. The modern executive has to enlist it, win it, motivate it, and he does it through regarding each individual as unique and by asking the questions: What makes him act this way? What does he want? I didn't say we always give him what he wants.

The third set of skills has to do with what we might call consultative management versus what you might call authoritative or paternal management. The executive who uses consultative management enlists the participation of his subordinates in the making of many of the decisions that the authoritative executive would make all by himself and pass on as orders down the line.

Consultative management leads the group in thinking through the situation requiring new policies or new plans that affect them. The executive does not abdicate his responsibility; he shares it, and in sharing, he gets better performance in carrying out the decision; often he gets better decisions than he could make by himself because he capitalizes on the experience and judgment of his subordinates. He establishes a team feeling and he develops his subordinates. Incidentally, he gets rid of a lot of work because in this process of decision making, the subordinates reach for it.

But consultative management requires a lot of skills which too few executives possess. Despite the fact that most executives spend anywhere from 30 to 75 percent of their time in conferences, very few know how to systematically plan and lead an effective problem-solving conference.

The fourth set of skills, business management thinking, is different from engineering or laboratory thinking. In some meetings in which I was participating in the Poconos this summer, representatives from one large chemical company said they came there to learn how to train chemists into managers. How do you do that? The point was that sound business-management thinking is different from purely scientific thinking.

One of my friends describes management thinking as "iffy" thinking. It requires the making of assumptions on the basis of such facts as one can get, but these facts are usually not enough to be certain one is absolutely right.

Management thinking evolves courses of action on these assumptions. These courses of action are therefore tentative best answers. They are constantly subject to change in the light of new facts or in the face of unsatisfactory results as one progresses. "Iffy" thinking says, "It looks as if this is so. If it's so, then here's the best thing to do. But if that doesn't work, why, then, we will try this other plan." Now that is not nice, clean-cut, sharp and definite; you can't always add it up.

In the scientific laboratory, the chemist doesn't pick up two bottles of chemicals and pour them together to see what will happen. Knowing their properties in terms of mathematical formulas, he predicts their performance with scientific accuracy. Otherwise, the average lifetime of the chemist would be a lot shorter.

The engineer does not say, "We will use these materials in the new bridge and see if they will stand up." He figures the stress and strain to a decimal point and usually he is accurate to a point of enduring security.

Professor Donham, formerly dean of the Harvard Graduate School of Business, says that the first thing that has to be done with engineers going into industrial administration is to destroy their sense of certainty, to force them to think of relationships, and to make them form judgments where no one can be sure.

The case method which you are using here in your management sessions is one of the best ways known to develop the abilities required, first, to analyze complicated socioeconomic situations, no two of which are alike; second, to develop the ability to make assumptions peculiar to unique and changing situations; and, third, to evolve courses of action which one regards as tentative best answers subject to change in the light of new data as one progresses on his tentative course of action.

In brief, it is a splendid and effective training in the "iffy" versus the mechanical kind of thinking. It is the "iffy" kind of thinking that is required where people are concerned. It's the kind of thinking where one bets his career, sometimes even his life, even though he can't be mathematically sure.

Now, I have mentioned four groups of skills required of the modern executive:

1. Those having to do with developing subordinates.
2. Those having to do with maintaining wholesome human relations in person to person contacts.
3. Those which have to do with consultative management.
4. Those which equip one to think through complex and changing-management situations.

But, though I have all of these skills and have not an appropriate philosophy of human and social values, I will fail.

The fifth requirement of today's executive is a philosophy appropriate to the times in which he lives.

Clarence Francis, chairman of the board of General Foods, says to his younger executives: "When I came into business some 40 years ago, the prevailing idea was that whatever is good for business is good for people. But I am turning over the management of this great company to you younger executives," says Mr. Francis, "in a day when the prevailing idea is, whatever is good for people is good for business." There's a very wide difference in viewpoint.

As long as one maintains human relations, develops subordinates, and consults with them merely as devices to larger productive efforts and bigger profits, he is using the techniques of sound and progressive management for his own ends--not because it is good for people. Unless he has a firm and deep conviction that these things are good for people, unless he can convince his subordinates that he sincerely believes in them as persons and their best interests, he will be able to fool them for only a short time and his techniques will backfire.

If he does believe in people and if he does work for their best interests, he will be able to maintain that dynamic leadership which motivates, guides, and energizes the continuously improving effort of individuals and groups which, after all, is the real job of today's executive.

Thank you.

(13 Nov 1953--750)S/sgb