

ORGANIZATION AND PEOPLE

343

16 September 1954

CONTENTS

	<u>Page</u>
INTRODUCTION--Colonel James H. Price, USAF, Chief of the Manpower Branch, ICAF.....	1
SPEAKER--Mr. Frank F. Gilmore, Professor of Management, School of Business and Public Administration, Washington University, St. Louis, Missouri.....	1

NOTICE: This is a copy of material presented to the resident students at the Industrial College of the Armed Forces. It is furnished for official use only in connection with studies now being performed by the user. It is not for general publication. It may not be released to other persons, quoted or extracted for publication or otherwise copied or distributed without specific permission from the author and the Commandant, ICAF, in each case.

Publication No. L55-22

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. Frank F. Gilmore, Professor of Management, School of Business and Public Administration, Washington University, St. Louis, Missouri, received the S.B. degree from Massachusetts Institute of Technology in 1933 and the S.M. degree in 1940. He was employed in the Production Planning Department, Armstrong Cork Company during 1936-37, and later served in the following capacities: assistant director, Sloan Fellowship Program, MIT, 1937-40; assistant to the president, American Management Association, 1941-42; assistant to the president, Sperry Gyroscope Company, 1942-45; associate professor of Business Administration, Harvard Graduate School of Business Administration, 1945-50; and as vice president, Doelcam Corporation, 1951-52. Since that time he has occupied his present position with the School of Business and Public Administration, Washington University, St. Louis. Mr. Gilmore has published the following books: "Manual for Executives and Foreman," "Problems of Accelerating Aircraft Production in World War II," "Building Your Company Organization for Future Progress."

ORGANIZATION AND PEOPLE

16 September 1954

COLONEL PRICE: General Niblo and gentlemen: This morning, the fourth of our series of lectures on "executive development" is concerned with "organization and people." Organizations are made up of people, and any study of organization is a study of the human relations therein.

This morning we have with us Professor Frank Gilmore of Washington University, St. Louis, who has had considerable experience in instruction in this field. He has been connected with the executive development programs put on at Harvard University and at Columbia University, and now he is Professor of Management at Washington University.

Frank, it is a pleasure to welcome you back to this platform and to introduce you to this audience. Mr. Gilmore.

MR. GILMORE: Thank you, Jim. General Niblo and gentlemen of the Industrial College. It is an honor and a privilege to be invited to return to the college to join with you in exploring the challenging subject of "Organization and People." A very real challenge exists on two counts: First, it is most stimulating to meet with a group of administrators who have been so carefully selected from organizations which are already very sophisticated in terms of organization and human relations. And, second, it is a genuine challenge to those of us who are interested in the field of executive development to attempt to grapple with the problem which is summed up in the two words--organization and people.

That a problem exists is only too vivid in all of our minds. We would all agree on the one hand, that it is not particularly difficult to set up an organization structure which adheres to the proven principles of organization, a structure that is theoretically correct. And on the other hand, thinking about people in the abstract we can all define what will make for good human relations. However, the problem snaps clearly into focus when we attempt to put the two together in a particular situation and try to accomplish definite objectives.

The psychologists tell us that the chances of developing an effective human being are greatly improved if a person is motivated by worthy purposes or goals, if he has a sound body, if he lives in a wholesome environment, and if he is enabled to enjoy healthy growth. There is a dramatic parallel between the development of such a normal person and the successful organization of human effort. I should like to try to draw this parallel this morning because I think it provides a helpful way to keep a few matters in useful perspective.

Worthy Goals--Organization Objectives

Just as an effective individual must be motivated by worthy goals, clear objectives must underlie the successful organization of human effort. Establishment of such objectives is a key task of top management. It is in part a matter of navigation. Now I don't pretend to know anything about navigation, and I realize I am in the company of experts, but, in language that I do understand, navigation means plotting a course when traveling by land, sea, or air from a known position to a known objective. Frequently, it is necessary to determine where we are in order to make a size-up of the present situation. Then we can lay our objective on a chart or a map and plot a definite course to get there. Sometimes the objective has to be modified because of weather conditions or because there are obstruction in the path. This involves forecasting, looking ahead to try to determine what is the best path for getting to our objective.

As in navigation, top management must keep reappraising its position, its progress, and its objectives, if satisfactory goals are to be established and achieved. The task of the chief executive is indeed one of meeting changing conditions. Defining and redefining objectives involve diagnosis. A. Lawrence Lowell, one of the past presidents of Harvard, once said that the great art in life lies less in solving problems than in discovering the problems to be solved. Accordingly, a sizing-up process needs to be carried out as a basis for determining what the objective should be. In industry, it is not so much a matter of making an "estimate of the situation" as a basis for developing a plan for the accomplishment of a stated mission. Rather, the determination of the mission itself is the critical issue. The method of attack on this problem of determining objectives for the organization as a basis for organization planning is much the same in industry and in the armed services when we consider top management's responsibilities. It involves sizing up the situation as a first step. As a second step, after we know where we are, we must decide on the general purpose to be aimed at, the objective. Third, we would then be in a position to set up the organization and educate its members to carry

out that purpose. Fourth, we would need to determine the strategy of action, the sequence and timing of moves. And fifth, we must follow through to learn how these plans are being carried out and whether they are being carried out effectively. I am indebted to Dr. Melvin T. Copeland of the Harvard Business School for these five elements of the chief executive's job.

At this point some distinction should be drawn between the chief executive and the operating executive. A few years ago an article appearing in "Dun's Review" written by Professor Lockley set forth five essentials of executive ability that struck me as being rather helpful in this regard. One of these was the power of rapid orientation, the ability to sort through a mass of facts, 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 a mass of facts, an orderly procedure of analysis is helpful. Fourth was the aptitude for making prompt decisions. Although we never have all the data we want, and the pressure is great, and we have to make up our minds promptly, the mark of the good executive is his ability to meet the situation adequately in the required time even though his better judgment and common sense would tell him to get more facts to work on. Finally, the last of Professor Lockley's qualities was the art of policythinking--ability to think effectively in the area of looking ahead and setting objectives. It seems to me that the first four of these qualifications apply 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 qualification, the art of policythinking, states the problem.

The chief executive has a job which is distinct from those of operating executives. Clearly, he should not make his decisions too promptly. He should take time to ponder a problem. He should analyze a problem thoroughly, go into every possible ramification, because if he doesn't, his decision, setting the course of the organization as a whole as it does, could very well wreck the enterprise. The leverage in his decisions is tremendous, much more so than in the case of the day-to-day decisions of the operating executive, an echelon or so below. 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.

This unity of purpose, stemming from the objective of the company as a whole, can only be established by the chief executive after a careful consideration of external, as well as internal, factors affecting the organization's welfare and future. In these parlous times in which we live, determination of clear objectives is becoming increasingly difficult. Bench marks, reference points are becoming more difficult to establish. Concern for our confusion with respect to human values in this age of the hydrogen bomb became so great for Arthur Compton, Nobel prize winning physicist and head of the Manhattan Project during World War II, that he recently resigned his position as Chancellor of Washington University in order to devote the next 10 years to research on the role of science in human affairs.

Compton's concern for our confusion with respect to values stems not only from the perplexing problems of the hydrogen age. Sumner Slichter has been emphasizing that we are in the midst of a technical revolution in other respects. He cites as evidence of this revolution such figures as the following: Productivity has doubled since 1900. At present rates it can be doubled again in the next 30 years. The most important reason why productivity has been growing is industry's increasing use of science and technology. In 1900 there was one engineer to every 250 industrial workers--today there is one to 60. The number of scientists, technicians, and engineers in industrial and Government research laboratories was nearly four times as large in 1947 as in 1930. The staffs of industrial laboratories have increased by more than 25 percent since 1947. Paralleling this engineering field day in product development is the accelerating automation of production processes and controls. Chemical plants are rapidly becoming automatic plants in terms of controls. Increasing numbers of fabricating plants are installing automatic materials-handling and control equipment. A notable example is the Ford engine plant at Cleveland where cylinder blocks march through complicated machining processes without human guidance or handling. This accelerating technical revolution poses difficult problems for top management in human and social areas.

The complication of top management's navigational job arising from the human and social problems brought about by the accelerating technical revolution is intensified by the signs of even more deep-seated forces. The sociologist Sorokin has defined the problems of our times in his book, "The Crisis of our Age." He diagnoses our present situation as the end of a great era of one type of culture and the beginning of a new era of another type of culture, the transition to be marked by unrest, upheaval, revolutions, wars, and trouble. Charles Malik,

Ambassador of the Republic of Lebanon to the United States and Representative of Lebanon on the Security Council of the United Nations, said in a recent address:

"In the world situation today there are some ultimate questions which it is well worth our while to ponder. Nothing is more obvious, it seems to me, than that history is decisively in the making today, and yet the quality of decision is largely absent. There is an ominous drift; people appear overwhelmed; and the clear, decisive, destiny laden, summoning voice is not heard. It is as though the complexity and multiplicity of present issues is too much for the mind of man."

On all sides we hear of the need to do this or do that in order to preserve our American way of life. Donald David, Dean of the Harvard Business School, has had this to say:

"To my mind, the way to make our system work better is perfectly clear. The system cannot be improved by superimposing all-pervasive planning at the top; that does not improve the system--it changes it. The way to do it is to improve the quality of the decisions all along the line. Let them be made where they are now; but improve their quality by increasing the consciousness of the responsibility which accompanies each decision. This consciousness of responsibility means that the business man must direct his efforts toward certain purposes, certain ideals"

When we speak of "consciousness of responsibility" what do we mean? What are top management's key responsibilities today? If we can define them we will have gone a long way in our quest for sound organization objectives. In an article entitled "What President's Think About at Night!", John McCaffrey, President of International Harvester puts it this way:

". . . for we live in a complicated world--a world that has spiritual and moral problems even greater than its economic and technical problems. If the kind of business system we now have is to survive, it must be staffed by men who can deal with problems of both kinds.

"Business men today, and in the visible tomorrows, will need to know how to earn a profit and why it is good for everyone that a profit should be earned. That's obvious. They also

need to know how to get along with, and direct the efforts of other human beings, both individuals and groups. Finally, every business man needs to know enough about the society in which he lives and operates so that he can follow its changes intelligently, adjusting himself and his enterprise to changing conditions, and making sure that his business serves its most useful purpose for society."

Clearly, the determination of organization objectives calls not only for all the intellectual horsepower we can bring to bear, but also for a sense of responsibility that is alive to the character and needs of our times.

Sound Body--Organization Structure

Turning now to the second ingredient in our recipe for the successful organization of human effort, given satisfactory organization objectives we next need an appropriate organization structure--a sound body with which to implement worthy goals.

While it is undoubtedly true that the understanding of organization theory has been greatly enhanced by defining various principles of organization, no practical purpose is served by our becoming morbidly preoccupied with the physiology of each part. More to the point, it would seem wise to assure ourselves that internal organization objectives are clearly understood and geared to the needs of the situation; that the objectives of various parts of the organization are consistent with overall objectives; and that there is reasonable balance in the objectives of the parts.

Clarification of objectives within an organization grows out of an understanding of the problems that need to be met. Some years ago during World War II, a study was made of the engineering and manufacturing activities of an important company. The survey was made because it began to look as though the company's engineering and manufacturing activities were not organized effectively. The need for the study grew out of the early experience of the company of working under an organization plan of decentralized operations. Under the emergency of the war, the company had to expand rapidly. Several plants had been established and the experience of operating a multiple plant set-up was new to the management. Difficulties had arisen in the engineering and manufacturing divisions which caused many executives to

reopen questions of organization policy. In particular, it was questioned whether complete centralization or complete decentralization might be better than the existing plan that appeared to be somewhere in between the two extremes.

In that situation, centralization meant that each major functional activity such as engineering, methods work, and production control would be directly supervised by their counterparts in 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 a form of organization where a plant manager was in direct charge of each of the functional departments at his plant, leaving the central organization activities in a staff relationship.

The absence of a clear conception of the basic needs of the company with respect to engineering and manufacturing when operating in several plants led to the decision to undertake the study. The major purpose of the study was clarification of the fundamental objectives underlying the internal activities of the engineering and manufacturing divisions in order to establish a sound basis for organization planning at echelons below the top.

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, operation 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 department and the central methods engineering department 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 in the plants in order to obtain a first-hand picture of shop conditions. Toolrooms 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, down to 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 personnel occupying the various positions were so inexperienced and so weak at that stage, it was felt that it would be best to maintain centralized control. The reins were still to be held by the central organization.

These conclusions were agreed to and changes made with full cooperation, even though it meant the moving of substantial groups of people and realigning many relationships. This probably took place first, because the internal organization objectives grew out of the needs resulting from attempting to meet overall company objectives, and second, because the internal objectives were shaped from the bottom up and were therefore clear and understandable to the people involved. Inasmuch as those most concerned had been consulted, they felt more inclined to go along.

The second consideration with respect to organization structure which I should like to discuss briefly is the need for unity of purpose through the organization if coordination is to be achieved. All divisions of an organization must pull for a common, overall objective. We have often seen that effective coordination is disrupted, or even destroyed, if this is not true. 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 these conditions is an important objective, but if the various objectives are not effectively integrated into the overall company objective by top management, the result can be corrosive to human relations and destructive to the effectiveness of the enterprise itself.

The final point which I wish to stress in connection with organization structure has to do with balance. The subsidiary objectives of the various parts of an enterprise need to be kept in balance in order to avoid lopsided development with consequent friction and loss of effectiveness. One of the very difficult areas of administration is avoiding the pendulum swinging too far when attempts are made to restore balance in the organization. For instance, there was once a shop that had been accustomed to working from on-the-spot instructions from the foreman. Engineering information and methods of doing the work

were largely matters that the foreman carried in his mind. With a change in manufacturing management, it was felt that the situation probably could 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. This was a logical objective, but in the process of trying to carry it out, the methods department, which was responsible 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, and therefore began to ease up a bit. Relaxation of effort at the critical foreman's level caused the effectiveness of the entire enterprise to be reduced. Though difficult, it is vital that reasonable balance be maintained between the various parts of the organization.

Summarizing with respect to organization structure, it is important that internal organization objectives be clearly defined, be consistent with the overall company objectives and be reasonably well balanced. The framework of an organization structure must be established from the top down when creating a new organization to carry out a newly determined objective. However, the refining, clarifying, unifying, and balancing of established organization structure can frequently be done more effectively from the bottom up with the people most concerned participating in the effort.

Wholesome Environment--Atmosphere Favorable to Participation

It is unlikely today that any serious objection would be encountered to the notion of consulting with subordinates, associates, and superiors in an effort to improve organization relationships. Most of us would regard such action as a part of our regular responsibilities. And in doing so, we would be recognizing principles which have long been accepted at supervisory levels in progressive companies. You know the idea: The supervisor consults with his subordinates before issuing an order. The people to be supervised are given an opportunity to help shape the action they will take--to participate--or at least to voice any objection to it. The good leader employs the principle of participation constantly. He knows he will get better teamwork and improved performance. He knows the program is likely to be a better one. We all know that participation must be genuine. It must spring from the heart. It must be based on a sincere respect for the opinions of others.

But, can this same approach be applied at the top management level? Can the determination of overall organization objectives, that part of top management's job involving navigation and diagnosis, be carried out around the conference table? Some companies feel that they are doing it. Take Creole Petroleum Corporation as an example-- in about 1944 or 1945, Creole established a so-called management committee. This committee was made up of a group of men who had graduated from the directorship of their respective operating divisions and who spent their entire time in daily meetings or in preparation for such meetings. Their function, under the chairmanship of the executive vice president, was to perform the navigational, diagnostic job described earlier as a basis for determining objectives for the company as a whole. The organization chart of the company showed the management committee in a box directly under the executive vice president with the operating divisions responsible directly to the committee. The implication of this chart was, and indeed the actual method of operation over a period of seven or eight years bore this out, that the committee made top management decisions of the navigational variety. Creole maintained that the job had become too big for one man. While you or I might prefer to see such a committee set up in more of a staff capacity and shown over to one side on the organization chart, there is mounting evidence that committees are playing an increasingly important roll in such policymaking.

The experience raises the question, should the diagnostic process of determining company objectives on which top-side organization planning will be based, be made around the conference table? Do we run the risk of consensus management by such an approach? Or can the principle of participation, so successful in supervisory relationships, be utilized here to advantage? Several benefits are apparent if we can make it work. The chief executive doesn't have to convince others that his size-up is correct. Agreement on size-up can release everyone's energies to determine a program of action. Such an approach is an excellent tool for coordination. It would provide a splendid medium for executive development. It may encourage the spread of the technique of participation throughout the enterprise.

There is sufficient evidence now available to indicate that unless some such joint approach is used, the chief executive runs a clear risk that the results of his efforts may be disruptive, lower in quality than might have resulted from joint effort, and the program may even not be accepted by the organization. One of the most dramatic illustrations

of such a tragedy that I know happened to the president of a large and important company. In this instance, the president, who had been withdrawing more and more as the organization grew larger, came to the conclusion that the organization structure of the company was in serious need of study. He therefore closeted himself for days in his beautiful paneled office while he undertook a study made for the purpose of examining the organization 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 "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 on this top oriented approach--ultimately however to no avail. The conclusions that he reached on needed improvements and proposed changes, logical though they appeared, were uniformly and emphatically opposed by his organization. It was not felt that his conclusions and suggestions were geared to the company's real, basic operating problems.

It is significant to note that the entire study described above was carried out by the president alone, dictating and editing his report in the seclusion of his closed office. Not many of his officers knew he was engaged in such a study. Those who were aware of it did not feel free to discuss it with him. There was clearly no atmosphere favorable to participation in this situation.

Summarizing with respect to this notion of the value of an atmosphere favorable to participation, it is suggested that we add to top management's logical approach to the problem of sizing up the company's situation as a basis for determining overall organization objectives the ingredient of cooperative endeavor. The job is too big for one man. Put in another way, the company will probably be a better company if the management team is concerned about these matters. Nor does the addition of this human ingredient into the diagnostic process reduce the chief executive's responsibilities or power. On the contrary, the utilization of a sound, logical approach and a cooperative team can open up vistas for the company that logic and the chief executive alone could never achieve.

Normal Growth--Development of Men for Broader Responsibility

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

Although executive development has been of concern to management for perhaps 40 years, programs aimed at the development of executives have, for the most part, been put into effect only during the past 10 years. Recognition of the shortage of executive talent toward the end of World War II really marked the beginning of a new era in executive development.

In his book on the "Growth and Development of Executives," Myles Mace concluded that the most effective way of learning what is involved in the performance of executive functions is by doing. He went on to say:

"Inasmuch as people learn by doing, the superior officer is the real determinant of what his subordinates learn on the job. The superior controls the work situation to a large extent so far as his subordinates are concerned, and whether or not subordinates have opportunities to perform on the job depends on what the superior does or does not do.

"To emphasize the affirmative role of the superior, the process by which superiors get things done through subordinates was described as coaching. What is involved in coaching does not constitute some new method or practice for dealing with subordinates. Rather, coaching represents another way of looking at the administrative process. Coaching is administration, and administration is coaching

"The implicit assumption, of course, as to the effectiveness of coaching in the development of executives and potential executives is that the superior is a competent administrator. It is doubted that the development of able administrators is possible in an organization which has never known good management. And the key figure in the organization with regard to competency is the chief operating executive. He sets the policy

and the example for the whole organization. If he observes in practice the elements of coaching, his example becomes the real policy of the company."

There is a very close relationship between Professor Mace's comments quoted above and the importance of joint endeavor in policymaking and organization planning noted earlier.

In the final analysis, all life processes are based on growth, on constant renewal; so it is with organization. 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.

Result--a Healthy Organism

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 there is a worthy objective, a soundly conceived organization structure to achieve this objective, an atmosphere favorable to widespread participation, and 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 answers to human relations problems and in the final analysis, solutions to the problem of coordination itself--the very crux of organization--come more easily if we are willing to consult before we act.

Thank you very much, gentlemen.

(29 Oct 1954--750)S/sgb