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INDUSTRIAL COLLEGE OF THE
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THE ROLE OF THE EXECUTIVE TODAY

Dr. K. Brantley Watson

NOTICE

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Reviewed by: Colonel Tom W. Sills, USA

Date: 14 October 1959

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.

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29 September 1959

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Reporter: Ralph W. Bennett

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MR. PULVER: General Mundy, Gentlemen: Now that we have reviewed the major functions of management and the factors underlying human behavior, we are ready to consider their practical application in the world of business. To do this for us we have again called on Dr. K. Brantley Watson, Vice President in Charge of Human Relations for the McCormick Company of Baltimore.

Because his experience covers both the academic and the business world, he is ideally qualified to enlighten us on the role of the executive today.

Dr. Watson, it's a pleasure to welcome you back to the College for your fourth visit and to introduce you to the class of 1960. Dr. Watson.

DR. WATSON: Thank you very much.

Organization is a wonderful thing. It's one of the most important requisites of good management. But sometimes even the best of organization goes afoul when the Pennsy Railroad is half an hour late, your speaker gets here late accordingly, I want you to know that has nothing to do with the planning of the folks in charge of this program. That's entirely, I was going to say, my fault. It isn't even my fault. It's the train's fault.

Maybe the fact that we did get started a little late is an advantage to me as far as the introduction is concerned. As I remember, when I've been with this group before, there's been some time taken to mention the fact that I'm a former college teacher and a psychologist; and I remember that on two or three occasions that was used as a springboard for telling some funny stories about psychologists and professors. They didn't get around to that this morning, and for that I'm grateful.

The last time I talked to a group, though--and it was mentioned that I taught some years ago--the story was told of the college professor who dreamed that he was teaching his class one day, and when he awoke, he was.

And then maybe you know this definition of a psychologist: A neurotic is one who worries himself into building castles in the air, a psychotic lives in these dream castles, and the psychologist collects the rent. Well, the only rent, of course, that we're collecting here this morning is the satisfaction of having an opportunity to discuss some of these very important matters that have to do with management generally, and the responsibility of the executive or manager in this function.

I thought the first time that I came over to talk to this group, and coming over to the War College of all places, and with all of the brass that I saw around and so forth, I was somewhat hesitant to discuss some of these simple, homely principles that relate to good management. But after visiting over here two or three times, I have come to the conclusion that you in your management responsibilities are confronted with precisely the same kinds of problems, the same kinds of situations, that we have in business. And so without any apologies at all, I'm going to devote my few remarks to discussing some of the factors as we see them in a business organization; and then I'm sure that you can draw some application to the particular kind of work in which you are engaged.

Psychology is a science. It's the scientific study of human behavior, and as such it's importantly related to these questions of human relationship. And much of what I will have to say today will be based on some, let's say, common sense principles of psychology.

Management I'm sure you have had defined a number of different ways, but I think one of the most significant concepts of management is getting things done through other people--getting things done through other people.

Now, there are many kinds of executives. There are administrators, whose job primarily is to make decisions in reference to factual situations or data or whatever it may be. But a manager is basically one who is working with and through other people; and it's that concept of a manager, that concept of the executive responsibility, that I want to discuss this morning.

Speaking of psychology, I was teaching a few years ago at Duke University and was emphasizing the importance of a scientific, or if you don't want to use "scientific," you could say "an analytical" approach to human behavior. I pointed out that in psychology, as in any other science, if we know all there is to know about a person's background, about his environment, his experience, if we know all there is to know about that individual in his talents, his abilities, his interests, his physical characteristics, and so on, then under any given situation or under any given stimulus we ought to be able to predict what his behavior would be, just as we would predict in some respects the reaction in the laboratory or some physical reaction. So on the first test I asked these fellows to give me a definition of psychology, and this is what one of them said: "Psychology is the scientific study of human behavior and the predicaments that can be made about it."

You laugh. I didn't laugh so much then, but since then I have, because that's a pretty good definition--a study of human predicaments. We in business, and all of us in management responsibilities, are confronted with certain predicaments, certain problems in business and certainly we in industry particularly can take justifiable pride in the technological development that we have brought about in the last 25 or 50 years. Until we had our complacency shaken fairly recently by some indications that there might be at least one other country that was near approaching us in technology, I think we were recognized, and we thought of ourselves as being the foremost exponent of technology, of engineering know-how, and so on in the world. In our industry we reflect that.

And yet in my kind of work, in human relations work, I can't help but stop to think now and then or wonder or question whether we have made anything like a comparable progress in this area of human relationships and in the utilization of human resources, and in this very area of management, of the know-how and the skill necessary to get the most out of people and at the same time provide for them a satisfying work experience. And so this is something of a problem or a predicament with which we are confronted.

I think in business, again, we can see some of the reasons why this is such a problem. And in order to illustrate some of these approaches or problems or principles, I'd like to describe for you two basic differences or two different approaches to this whole concept of management responsibility.

If we are to get things done with and through people, it's important that we understand the basic factors that affect this relationship. Whether it be in the Armed Services, whether it be in the form of government service, whether it be in industry or in a school, it makes little difference, there are certain basic relationships that exist and which we must utilize if we're going to realize the full potentialities of people.

I think first of all we have to question ourselves as to what the basic purpose of management should be in the first place. Then there is the question as to what the relationship between a manager and a subordinate, in business between an employer and an employee, should be, and how we go about exercising our authority and responsibility in that relationship. And then finally is the question of how the management structure itself should be organized, motivated, stimulated, and controlled.

We recognize first of all that if there is to be a satisfactory relationship between people, that relationship has to exist in some

kind of favorable climate. By climate I don't mean the temperature in terms of the thermometer, but the temperature, let's say, in terms of the psychic level. I don't mean the thunderstorms in terms of what kind of storm, but perhaps the measure of the understanding and relationship between people. So let's analyze for just a moment two basically contradictory concepts of management philosophy as it relates to the climate in which people live.

In business one approach is from the point of view that employees constitute a commodity, to be bid for, to be carefully selected, to be developed, to be inventoried, to be retained only so long as it is useful to the business, and then to be discarded, as any other piece of equipment or any other machine or tool or whatever it may be. This point of view in business is understandable. It stems, I think, from the profit motive, where, certainly until recently, it was rather generally accepted that the principal function of business was to make a profit, a monetary profit; and that other responsibilities certainly, if they existed at all, were only secondary. Consequently, the approach as to any other investment or any other commodity; and any provisions that might be made for the basic well-being of these people would be made solely as an expedient in order to protect this investment, or at best as a kind of paternalistic gesture to people to satisfy someone's ego for being a good fellow.

Now, with that approach the climate in which people live assumes certain proportions and certain characteristics as regards the relationship between management and employee, because the relationship becomes one then, and the obligation of management becomes primarily that of controlling people, keeping them in hand, even, if you will, keeping them suppressed to a certain extent. And you find the supervisor, the manager, the executive devoting his attention to ways in which he can use this piece of equipment, this employee, and at the same time control him and keep him in hand.

Now, maybe you say, "Well, what's so bad about that? Isn't the function of management to control?" Yes; certainly. The function of management is to control. It's the method you go about doing it that is the point that I'm trying to make, because when we approach the relationship with subordinates or staff in terms of setting up controls, and the whole climate, the whole philosophy, is one of living within this area of controls, then we have certain inevitable effects on the people themselves.

I'm sure many of you have read the book "The Organization Man." If you haven't, I would recommend it to you, because it points out that, particularly in the area of middle management, when we have such an arbitrary and such an absolute emphasis upon organization as

such, organization in effect to keep people in line, the lines of communication are precise, the areas of definitions of responsibility and authority and accountability are precise to the point of ridiculousness--that in that kind of situation there is an element of attempting to control people just through the organizational structure itself. Certainly in that climate the individual manager then looks to his responsibility as simply keeping people in hand.

There's one thing that I think we overlook, though, in that kind of relationship, or in trying to establish that kind of relationship--that control in that sense can be accomplished only on one basis--in that sense it can be accomplished only on one basis--and that's on the basis of fear--fear first on the part of the employee or subordinate that he will lose his job, that he won't get a salary increase, that he won't get a promotion, that he won't get some recognition which means very much to him, fear on his part that he will lose his security; but, gentlemen, I think fear is just as much present in management that these employees will get out of hand, that they will usurp the prerogatives of management, and that management can't control them. And so we have the primary motivating factor, the controlling factor, in such a philosophy based on fear.

Now, psychologically we know something about fear. Fear properly channeled is a very valuable type of motivation. Fear is something that in the face of danger stimulates a person, gives him strength, the strength to get up and get the hell out of there. You know the values of fear. But fear, when it is used as the basis for management organization and employee relations, becomes a suppressing influence; and it has the effect practically of forcing a person to assume a position of not sticking his neck out, so to speak; of being very careful about what he does in the way of organizational behavior; of conforming strictly to the book or to the principles or to the characteristics of the individual who is his boss. And we find that we lose under those conditions, I would say a large amount of productivity--you can't measure it percentagewise--but I would say, a large proportion, a large percentage, of the basic potentiality for productivity and for activity on the part of people under those conditions is lost. Also there is a large loss in the management group itself, because, after all, managers are themselves employees in this respect. Referring to you gentlemen here, every one of you, I assume, is a manager. You have major responsibilities. But everybody, I suspect, even the General, has someone to whom he reports. So in effect we are in that same situation.

And yet, you know, it's amusing how often you hear, in business anyway, employees complaining or griping or they're frustrated or going around in circles complaining about management. But the moment they are put in a similar responsibility, they go through precisely the same paces about which they had complained before.

So I think it's a major responsibility of ours, gentlemen, in your work and in my work for us to see that the kind of climate is proper in which people are going to work.

Carrying on this illustration--and this is an exaggeration. I am purposely exaggerating this. I'm not just setting up a straw man to knock it down; but, nevertheless, I'm purposely exaggerating it--the application of this control philosophy as it applies to the management organization itself. The emphasis again there is on keeping things under control.

And so we find that the bible is the organizational chart; or, based on an organizational chart, the standard procedure, the instruction manual, if you will, is the bible. We find that the lines of communication are arbitrary and fixed and inflexible; that each person having his particular assignment is responsible for that and nothing else. Consequently, management people themselves find themselves in a situation that is repressing rather than stimulating.

Now, I have, as I say, purposely exaggerated this point of view. I would say probably such a control philosophy, in business anyway, was prevalent until a few years ago. I think perhaps such a control philosophy has been prevalent until even more recently in the armed services-- the feeling that there is an element of advantage in a fellow not thinking for himself, but being so automatic that he precisely, almost reflexly, carries out an order without questioning anything. He just does it.

Certainly there are advantages in that. But I understand that even in the armed services, and in the colleges connected with the armed services, they are teaching today something of a concept of the whole man, and of his adjustment, and of his desires, of how to understand him, if you're going to get the best results out of him, whether it be in war, in conflict, or in peaceful pursuits.

Let me ask you a question or two just to see what your thinking is on this point. I remember when I was in Richmond, Virginia, as personnel officer for the Federal Reserve bank there for a number of years before I came to Baltimore in my association with McCormick and Company in Baltimore--I remember coming to Richmond the first time. It was right after World War II and there was a very tight labor market. I was talking to one of the bankers there and he was complaining bitterly about the fact that he couldn't get employees, and the ones

he did get weren't any account when he did get them. And he took off on a monologue to the effect that these young whipper snappers that he had in his office now, that he had to put up with--all they did was watch the clock. They didn't know what an honest day's work meant. But he had to put up with it. They were spoiled, but he had to put up with them because they could go down the street and get another job paying more than he was paying; so he couldn't help himself. And then this was the interesting thing. As he got more and more worked up, he turned to me and he said: "Watson, I'll tell you, I'll be glad when we get back to the good old times."

I said, "What do you mean--good old times?"

"I mean the good old times when it was hard for them to find a job; when they know the worth and the value of a job."

I said, "That's very interesting. Why?"

He said: "Well, I'll tell you why. Because then if one of these young whipper snappers came in here and started acting like they do, I could stand up and I could tell him: 'Bud, if you don't like it around here, you can get the hell out.'"

That was his objective--this longing for the good old times when all you had to do with to crack a whip and somebody would jump; and if they didn't jump fast enough, you would give them the boot and get

somebody else, and that's all there was to it. That's the commodity control point of view.

But let me ask you gentlemen, Has anyone of you ever thought to yourself how nice it would be, how appropriate, how proper it would be if all I had to do was to tell somebody what to do and he did it? Have you every thought that? Some of you are nodding your heads. Of course you have. I have too. Yes; that would be easy. That would be nice. But it doesn't work.

In this country we have to recognize the fact that in our schools, in our whole society, in our churches, in every walk of life we are developing youngsters, attempting to develop them anyway, as individuals, with a sense of independence and self-reliance, and initiative, and responsibility, and creativity. And then we try to mold them into a straitjacket and we wonder why it is that they don't respond the way we think they ought to respond when we simply tell them something to do.

In business I often give this illustration: I ask--it doesn't apply specifically to you, although it might in some respects--I say: "Why do we give these things we call employee benefits? Why do we give vacations? Why do we give pensions and this, that, and the other?" Usually a group of businessmen, looking at me, will look at me like

I'm stupid and say: "Well, that's a stupid question in the first place. Why do we? We have to. We couldn't keep anybody if we didn't."

Then maybe a more enlightened executive will say: "Well, take this matter of vacations. We like to think--and it's a fact, psychologically it's a fact--that a person can maintain a certain intensity of effort only so long at full-peak productivity, and then he needs a break. And so by giving people vacations we are giving them that needed break. Why? So when they come back to work, they can work at peak efficiency again and get more done."

Now, there's nothing wrong with that. It's a perfectly legitimate reason for vacations. But if it is the only reason we do things for people--simply to get more out of them--I say it is an example, an illustration, of what I have called a control philosophy of management.

I remember a young man that came in the office the other day looking for a job. Fortunately, there in Baltimore--and we have a pretty fair reputation as a company--we have a lot of young men coming in seeking jobs. This young man came in and he looked like a pretty good prospect for a job opening that we had. So I began telling him about what we had to offer. I told him what the salary would be. Well, he didn't seem to be very impressed with what this salary was. He said: "Well, it's all right. I made more than that where I was, but that's all right."

We have what we think is a very fine program, a liberal program, of employee benefits. So I said: "Well, the salary isn't the only thing. There are some other things." And I went into the matter of insurance. "You get \$10,000 worth of insurance and you contribute only a very small fraction of the cost of that." He said: "What? You mean this is contributory? Where I was we didn't have to pay anything for it."

And I went on to a number of things. I told him we had a policy of two weeks vacation during the first year, three weeks vacation after five years, and four weeks vacation after twenty years. And he said: "Well, I don't know about that. I got three weeks vacation my first year."

So I began to get a little irritated, and I said to him: "Well, if this was such a fine firm and you made such a fine salary and had such wonderful benefits, why did you leave?" He said: "I didn't leave. They went broke."

Now, we can overdo this thing, of course. In the area of benefits and in the area of psychic benefits we can overdo it obviously. But I would like to draw for comparison a type of management philosophy that I would call, again for comparison purposes, a cooperative philosophy of management.

Now, I purposely sort of slid over that word in order to go back and emphasize it in a different way as co-operative--operating together. That's a very simple distinction--between operating together and operating, let's say, under orders solely. Operating together on a cooperative basis and operating simply under the regulations of control.

There are many definitions of cooperation. I don't know any business employees' handbook that doesn't start out with some nice, very pleasant statement to the effect that "We welcome you to So-and-so. We're one great, big, happy family. We believe in cooperation. We want to help you" and blah, blah, blah. And yet what does cooperation mean? It means essentially what I mentioned a moment ago to many, many people.

What does it mean to you when you say that one of your subordinates is cooperative? What does it mean to you? Well, I know what it means to a lot of managers. It means just what I said a while ago--I tell you what to do and you do it. That's cooperation. Now, you can laugh a little bit. I suppose all of you have gone through this chore--and sometimes it becomes a rather painful chore, although necessary and important--of rating people. And on most so-called rating charts there is an element that is defined as cooperativeness. How do you rate people on the basis of cooperativeness? Who is the uncooperative

employee? He's the employee that doesn't get along well with you, let's say; or he's the employee who doesn't do just what he's told.

But if we think of management as getting things done through and with people, then cooperativeness becomes an entirely different thing from just telling somebody what to do and expecting him to do it. It means establishing the basis on which you can work together--together. And what are the bases necessary for working together?

In business anyway we have found that you can't expect people to work together unless they have some common objectives, some common purposes. And I know, and I'll be the first one to say, and I'm not saying that everything is all sweetness and light in McCormick and Company either--we have our problems--but I say, in business we cut off our noses to spite our faces sometimes by saying: "The purposes of this business, when it comes to making a profit, are none of your business. Your business is to do this job. You let me run the organization."

Now, I simply say, whether it be business, whether it be in your group, whether it be any other, that only to the extent to which you can with your people come to an identity of purpose, where they identify their objectives with your objectives as far as this operation is concerned--only to that extent do we have that nebulous thing we call real

morale; and only with such real morale do we unleash, release, the full productive energies, psychic energies and physical energies, of people. It's just as simple as that, and yet doing it is another matter.

What should our relationship be, then? We certainly should consider people as part of an organization, and not simply drafted by it or hired by it. They're part of an organization. We have, as managers, a basic responsibility for their fundamental human well-being as members of this organization. And then the relationship, and the exercise of our management responsibility, becomes one not of controlling these people, suppressing them, keeping them in hand, but quite the opposite--of stimulating initiative; of encouraging suggestions, even critical comments that are constructive; of encouraging initiative and responsibility and the delegation of responsibility and participation; and encouraging all of the things that will make a person identify his effort with the basic purposes and objectives of our organization.

Now, you can draw some parallels. I'm not even going to attempt to. I probably would appear foolish if I tried to in your particular kind of work. But I know there are applicable parallels in your type of work of getting people to feel they're part of this thing rather than simply held by it.

And finally, in the management structure itself we find that exactly the same thing applies. When we have a rigid, inflexible management organization, where, as I say, the chart itself is the criterion of relationships, and the lines are criteria and channels of communication, and the law is the printed specification--all of that, don't misunderstand me, all of that is essential to good management--but when we make it the basic criterion of management, then I say simply that psychologically we do not realize the full potentialities of people.

And so in all of our work I think our most important job as executives and managers is to establish the kind of climate, the kind of atmosphere, the kind of understanding, the kind of relationship which are of a co-operative nature; and on that basis, and on that basis alone, can we realize the full potentialities of people.

Just quickly--and you can see this talk has not been precise in the sense of a formula, or 1, 2, 3, 4, or this, that, or the other--but actually, human relationships themselves are not very precise. You know, where we--and I refer to myself now, but I used to be teaching as a professor--make a serious mistake is because we're trained to be thoroughly logical, thoroughly analytical, thoroughly precise, so every little part of a situation just fits in perfectly. People don't behave that way. People behave as much by intuition and by stimulation and motivation of an indefinite sort as they do by the precise word of the order.

And we must take advantage of that by creating the kind of climate in which people are stimulated, in which they are motivated, in which they are enthusiastic, in which they feel that they are part of this thing.

That affects communications, which is a most important skill and a most important requirement of good management. I'm sure you have seen this happen--where you gave explicit, as simple as it could be, there wasn't any question about it as far as the words were concerned, an explicit order; and that was passed down to an echelon and to another echelon and then down here. And then you come around later, and what you found down here wasn't any more like what you said up there than if somebody else had said something entirely different.

Why? It isn't because the words themselves were wrong. But it may have been, and probably was, because there was not the basic understanding down here of the point of view from which you were speaking in the first place. And words themselves mean nothing, or let us say, they mean entirely different things to different people. Two psychologists get on the elevator. A third person standing there, the elevator operator, turns to one of them and says, "Good morning." One psychologist looks quizzically to the other and says, "Now, the devil, I wonder what he meant by that." Just as simple a thing as that. In communications, unless we establish a basis of understanding, we're not going to get through.

Very quickly, in just the very few minutes that I have time left, I just want to name--and I don't have time to define--certain basic psychological principles that underlie this concept that I'm talking about and which we must recognize and draw on.

One of these principles is that of individual differences. And, again, these are just simple elements of common sense. It says people are different. And yet when we try to establish an organization and cut everybody to precisely the same mold, we are going absolutely counter and contrary to human nature. People are different. People can do different things relatively well or not so well. We have to recognize those differences in individuals if we're going to capitalize on their potentialities.

The second one is the principle of integration. It means simply that there's nothing that a person does in a specific situation that can be understood fully except in reference to the total pattern of his living. I mentioned a while ago this matter of the whole man. And yet sometimes we say, "We are responsible for, we are interested in, only what you do on this job at the work bench or at the desk or wherever it may be. What you do outside of this business is no concern of ours."

Well, maybe there is a borderline where we shouldn't invade a person's privacy. But I can tell you this: Unless we understand that

person in the total pattern, integrated pattern, of his living, we can't understand his job performance. When a person comes in on a Monday morning and makes mistakes that are atypical, he just never made mistakes like that before, our reaction is to tackle the mistakes. That isn't what caused the mistakes themselves. Something happened to that person--whether a young lady was jolted over the weekend, or whether she had family troubles, or whether this or the other--that's the only way you could really understand these mistakes she was making Monday morning. Well, apply that to all the range of work relationships and you have the application of this principle of integration.

The third basic principle, and the last one, is that of motivation. It states simply that there's nothing that we do in a sustained, continuous, dynamic way except that it is based on some underlying human urge or drive. Some psychologists would call them instincts. Others would call them acquired tensions, or whatever it may be. But basically we know what those things are as far as the management-employee relationship is concerned. And there has been many studies that have been made of these points.

Basically a person needs to feel that he belongs, that he's not an outsider, that he's part of this thing. That's part of this identity of purpose.

Second, he needs to feel that he's working toward something; that is, if his behavior and if his energy is to be sustained, he must feel he's working toward something--either a rank or an accomplishment or just the satisfaction of doing a good job, or whatever. He has to have some pretty well-defined goals toward which he's working.

In the third place, he has to have a degree of personal recognition. I don't care how belittling we may think in terms of a person wanting to be recognized. It's a basic human quality, and I am certain that everybody in this room experiences it the same as your subordinates experience it. You need to be recognized as an individual. And I've said many times to supervisors--considering some exceptions to this statement--"A pat on the back is most often worth ten kicks in the pants," meaning simply to emphasize the fact that there are times when a good, strong kick in the pants is exactly what should be given. But then we neglect to do the counter to that, which actually has more value in stimulating a person than the kick in the pants does.

And the fourth of these factors is the need for communication, the need for feeling a sense of freedom to express oneself; and, in turn, to feel that one is in on the "know"; that there aren't things going on around him that affect him but he doesn't know what it is. Have you ever been in the situation yourself where you were a part of something, or

felt you were, and there were things sort of going on behind the doors over there and, by golly, you didn't know what was going on behind the doors. If you just knew, then you wouldn't care any longer, but it's because you didn't know. You felt that somebody was excluding you as far as communications were concerned.

The same thing applies to employees, to enlisted men, to anybody else. If they feel that there's something going on that they should be part of, that they don't know anything about--that's this matter of communications.

I know that you have in your studies reviewed some of the Hawthorne experiments. Haven't you discussed some of those? Maybe one phase of that was not mentioned. But there was a similar study that grew out of the Hawthorne experiment, where they were analyzing, again, groups of people, attempting to correlate morale with productivity. And in this particular study the criterion of morale was the usual one, but part of it was that evidence of poor morale was grumbling, griping, complaining, or something of that nature. And lo and behold, in these particular groups in this study they found that by that criterion the one group that was rated lowest by the psychologists on morale actually had the highest productivity.

Well, you can imagine how confounded these psychologists were. That destroyed all their theories about the relationship between morale

and productivity. The error was in the criterion of morale. They were saying that when you found a group that was expressive, even to the point of griping a little bit and this, that, and the other, that was expressive, that was poor morale. Well, actually, that was not necessarily the case. In our own company we encourage suggestions, even constructive criticisms and all to the point that sometimes, if an outsider came in, he might think that this was a funny group here. They're raising these questions. They don't hesitate to say what they think. And yet their productivity was just about as high as you will find anywhere.

The point is that if people have a sense of freedom and belonging and identity and can express themselves, it actually makes for better morale. I don't know whether this is true or not, but I have heard this statement: that some of the gripingest outfits were some of the fightingest outfits. I don't know whether there's any truth in that or not. But there is truth in the fact that a group that feels that it can express itself because it has that freedom, a basis of understanding, a common purpose, it is helpful in a sense even though it is a kind of griping, that group is a dynamic group. I mean, many times. Now, don't misunderstand me. There are many groups where such griping is a very clear indication of poor morale and of dissatisfaction and so on.

Finally, we all need in a sense a sense of security. I don't mean the kind of security where Uncle Sam provides everything for us from the cradle to the grave. But I mean a kind of personal security where we feel sound and solid confidence in our own situation. And the only way that people can really feel confidence in their own situation is to know where they stand, that they know what is expected, that they know what is expected of them; and that their work is regularly appraised and that they are apprized of how they stand.

As I say, this matter of rating becomes a formal gimmick and is not worth the paper it's written on if it's done as a formal gimmick. But as a tool of supervision, we should every day be in effect rating and appraising people and talking to them about it, so they will know precisely where they stand, what we think of them, and what we expect of them as individual employees.

And so with these basic psychological principles bolstering a sound, cooperative management philosophy, I think that we can, whatever type of organization, whatever type of work, it may be, realize the full potentialities of people; and that only on this basis can we do so.

So in conclusion I would simply leave the thought with you, gentlemen, --and it's not a matter of logical analysis of this thing at all. I hope that this has sort of stimulated your thinking a little bit that might

affect attitudes in your relationships--but I say, only in a cooperative relationship. In business, we say, not only is it the most humane, but it is the most productive, it is the most profitable, and in the final analysis is the only real effective control. So think about these things in your work; and I'm sure that in the case studies and all that you have coming along you will find many illustrations of these points that I have mentioned.

Thank you.

MR. PULVER: Gentlemen, Dr. Watson is now ready for your questions.

QUESTION: With regard to your comments on cooperative management, would you care to comment upon how the rise of unions has limited the use of cooperative management as far as initiative is concerned and so forth on the part of employees?

DR. WATSON: The question has to do with a cooperative approach to management and is, To what extent has the rise of union activity and the extent of union power and so forth affected this ability of management, let's say, to work on a cooperative basis with employees?

I'm quite certain that, in some instances anyway, business managements have almost said: "Well, if you're going to be responsible for the employees, we'll be responsible for the other end"; and as far as a cooperative relationship between employees and management is

concerned, it's practically nonexistent. That's in some instances. But the mere fact that a group is organized in itself does not, in my judgment, in anyway minimize the importance, in fact, it may even make more important this relationship of working together.

We in management, I know, have been very timid. In fact, union leadership generally has been far ahead of management leadership in its aggressiveness in getting next to the employees and so on. And management has been in many respects timid even to explain to its employees what its position is, and so on.

I think there's a change coming in that. In fact, I know there is in many respects. Management is coming to recognize that even in an organized set-up, where there are certain obligations of contract and so on, there can be a cooperative relationship established between management and the employees themselves.

Now, I'm not just speaking theoretically. I'm speaking from first-hand knowledge. McCormick and Company in Baltimore, the parent company, is not organized and it never has been, and we might say something else, but, anyway, I don't think it ever will be. But out on the West Coast this company, which is the largest--I'll put in a plug here--spice and extract house in the world, did not have any substantial West Coast business because of the competition of a very fine house

out there--The Schilling Company. So they couldn't beat Schilling; so there was only one thing to do and that was to buy them, which they did. There is still an awful lot of competition. This is not a monopoly in any sense of the word. But the Schilling employees were organized at the time that we acquired this subsidiary, and they still are.

They are in the union of one Mr. Harry Bridges, ILWU. I guess that's just about as uncooperative a union-management group as you will find anywhere. And to start out with--this was before I came with the company--I understand that there was some problem there of relationship, because folks back here in the East had had no experience with this sort of thing, and going in, it didn't make any difference what management person it was, the union steward would come in and call him a son of a bitch and get away with it. I mean, they just weren't used to that sort of thing.

And that management out there was as arbitrary and was as dictatorial and ruthless in many respects as it could be; and I almost have to say, they deserved just what they got, as far as management was concerned.

Over the years, though--and it's been a number of years--since we've had that company, I think we have quietly, and without fanfare, and without any issues being involved, tried to get to know these

people. I made the mistake, and it was a mistake, of trying to get to know some of the union leaders a little better. In fact, I went so far as inviting two of them to go to lunch with me when I was out there one time. And, by golly, two years later we got in an arbitration case and they swore to God, because there were two of them and only one of me, that I had said things that I never had said. That part--I don't know how cooperative you can be there.

But with our employees--in answer to your direct question--gradually, over the years, I believe we have built up a relationship and an understanding, a mutual trust, and all where I think our employees are a darn sight harder on their union leaders than they are on the company management. And I believe they are a darn sight more cooperative with our management group than they are with their own so-called union leaders. In fact, I know it. They come around and they talk to us about it.

So that's not anything that has been done with a great, big flourish or anything at all. One thing, little by little we have extended to these union employees many of the benefits that our unorganized employees have that was not in the union contract at all. We have done it voluntarily. They participate in our profit-sharing arrangements. The union people were looking around to see what the trick was, where we

were trying to pull a fast one on this deal here. "What's the gimmick? What's the catch?" But I think over the years our folks have come to realize that this company is as interested in them as employees whether they're organized or whether they're not. And I believe that we get substantially as much cooperation--not as much, but substantially as much--from those folks as we do from the people right in Baltimore.

QUESTION: Dr. Watson, very recently from this same platform a speaker indicated that, due to the fact that human relations had to be such a universal arrangement, you just can't put human relations under a separate vice president. Would you care to comment on that?

DR. WATSON: On your choice of verbs--if you say "maybe you shouldn't," that's one thing. If you say you couldn't, I can't agree with you, because it has been done.

No. In our organization, and I think in many others, if you consider personnel work, personnel administration, and in human relations in this concept of function, as it is in our company, it embraces these things: It embraces personnel administration or employee relations, the personnel department, as it would in the traditional type of department you would have in any company. It embraces in our Schilling folks the aspect of labor relations. It embraces certain aspects of

community and public relations, particularly as regards participation of our own executive employees in community activities and in the interrelationships with the community. And, fourth, it involves the whole area of management organization and development.

Now, perhaps it's not as broad in scope as that in some companies. But basically those functions do exist. And certainly, even though ours is, as far as spice and extract business is concerned, big; as far as business generally is concerned, it's not a big business--we feel that that's of such importance that somebody should be devoting his full time and attention to that in a staff, advisory capacity.

Now, it functions in just that way. It just depends on at what level of importance you place this function.

Now, many companies will say: "Well, we don't have vice presidents like this, but actually that's the president's major function." And it is, in many instances. But in other companies your human relations is nothing more, or your personnel is nothing more, than employment screening, or maybe the administration of this necessary benefit program. That's all it is. The function as a function isn't recognized as a part of management at all. And they will say: "Well, that's everybody's business." Well, sure. Profit making is everybody's business. Efficiency is everybody's business. Other factors of a non-human nature are everybody's business.

But I think that the trend--and whether it's right or wrong you will have to judge--but the trend certainly in business today is toward having the responsible head of this function be at a comparable level to any other senior officer of the corporation.

QUESTION: Dr. Watson, will you give us some specific examples or illustrations of things that have been done, for instance, in the McCormick Company to change from the first type of management to a more cooperative type?

DR. WATSON: Yes.

Maybe some of you have read--I think maybe you've had as a reference--a little book "Power People." I don't know. But, anyway, in that book, written by Charlie McCormick, he describes the transition from the regime of his uncle Willoughby McCormick, who was an authoritarian from the word "go," on into this multiple-management program such as we practice it in McCormick and Company now.

I would say that the transition probably was at first more an expedient, because Charlie's uncle died when Charlie was only 32 years old. It was a closely held family business. Charlie was suddenly thrown into the presidency without having had too much experience in the business at that point himself, and he had the good common sense to realize that he couldn't run it by himself. And maybe it was just

that little element of fear. I don't know. It was, nevertheless, a recognition of people that he needed and that he had to have the participation and assistance of his manager group first, and his employees also if they were going to achieve these aims--out of that certainly developed a series of things.

One of the first things that was done was to provide in the management structure itself for a wide-range base of participation. If we are known as a company in the management field for anything, it is for what is called our multiple-management program. And that is basically a program to provide as wide and as extensive a base of participation in the top management on the part of as many people as possible without fouling up the works, so to speak.

That is done through what we call our various Boards of Executives. We have a Corporate Senior Board of Executives, which is composed now, as it was not back before, almost entirely--with one exception, Mr. Eric Johnston, who is the only exception--of people who are active in the business, executives of the business.

In addition to that we have what is known as the Factory Board of Executives, the Junior Board of Executives, and the Sales Board of Executives. These Boards of Executives are charged with the responsibility of acting as if they were a corporate board of directors

in their particular area, with the provision that they do not have the authority to make corporate decisions. But they recommend, on the basis of their own consideration, study, investigation, and so on things to the senior board; and over the years--just in the last six years since I've been with the company there have been well over a thousand suggestions, more than that, a couple of thousand suggestions, specific recommendations, coming from these boards, of which fewer than 2 or 3 percent have been rejected.

This provides the basis for some 75 additional people participating in what is essentially top management. And we have felt that it provides the kind of experience necessary to give a man so that, when he does move up to a top position, he has some knowledge of what the problems and techniques and skills are. It gives him a sense of participation and belonging, and at the same time it satisfies this need for participation on his part.

That's one thing. Other things in the area of employee relations are trying to get through to these people as complete communication as possible, to make them feel that this is their company, that they are part of it, and that they share in whatever benefits there are derived from it. There is some controversy as to the appropriateness of various profit-sharing plans. As far as our purpose is concerned,

we could not satisfy the purposes of our business without sharing with our employees the benefits of their and our efforts, which we do.

In the area of communications, we regularly have employee group meetings. In fact about once a month we have in the Baltimore plant all of our employees together for a general meeting, which lasts an hour, or never longer than an hour and a half, in which we review the company situations. Even plant people tell them about how we're meeting our sales projections and what the problems are and this and that and the other and what you can expect.

Now, not all of these people, of course, understand all about business or what it is or even their role in it. But I'll tell you this: I don't believe there's anyone but that feels that management wants them to participate and wants them to be a part of this entire operation.

I'll give you one specific illustration of the application of these principles to a very practical production problem. Shortly after I came with the company, they had received a very large Government tea order. This was of such magnitude that it actually was outside the scope of our regular operations, and with the facilities we had-- machine and manpower facilities--we weren't going to be able to meet this order on time unless some drastic things were done.

Before they accepted or before they actually put their bid in, or accepted it once they were told they could get it--you know, there's a sort of negotiation period in this bidding business--it was before the thing was finalized, but it was at the point that we thought we could get the order if we would go ahead and do it--this is what happened: The production manager called together into a meeting, in a nice little theater, as we call it, in the company, about 80 or 90 people who worked in our tea department, primarily women who operate tea bag-filling machines. He brought them together. I thought he was going to tell them what the problem was and then tell them what we were going to do about it and ask for their cooperation. But that wasn't what he did at all.

He brought them in. I was new and I didn't notice that these things were here, but the walls were pulled back like this, panels, and there were charts here and so on. So he pointed out to them, he said: "At our last meeting, this, you remember, is where we had reached in our tea production up to the projections that had been set for us. We were right on target, right on schedule, and I congratulated you at that time. Well, now, we have an opportunity to get a very large order which will mean a great deal to us because it will come at a time when things are relatively slack. We'd like to have this order. There's not a large

margin of profit in it, in fact, there's little in it; but it would be good if we could do this. This is where we would have to go, though, in volume projection if we're going to take this order. And you can see. How are we going to do it?" That was all he said--"How are we going to do it?"

I waited a minute expecting him to tell them how to do it. But he didn't do it. One by one--believe me now. This isn't just a nice little story--one by one these ladies--very few of them actually had finished high school--began raising their hands. One of them said: "Well, we're working only two shifts now. I guess we'd have to work a third shift, wouldn't we?" That a lousy shift to work--eleven at night to seven in the morning. He said: "Yes, I suspect we would, but this is the problem: As you know, we can't bring in new untrained employees to work on this shift, because we don't have all the elements of supervision and so on. This means that some of you are going to have to work the third shift."

And do you know, believe it or not, right there in that room there were volunteers. They found out that it would take about six weeks to do this thing. They got the people to fill that third shift, without even being asked.

Do you know what they usually do in most plants? They would go and post on the bulletin board: "So-and-so report to such-and-such a shift on such-and-such a date"--maybe even in a hour, like 0840 or something like that.

So he said: "Well, that will carry us up to this point. You see, that isn't enough."

Somebody else said: "Well, how about working Saturdays? How long would we have to work on Saturdays to meet this thing?" They worked it out that it would take them about seven Saturdays, plus this other, to do it. They said: "We can do it. I believe maybe we can make it if we do it on that basis." It was almost spontaneous. "Well, sure. Come on. Let's do it. We can do that just for this period of time, as long as it's no longer than that."

Well, to make a long story short, actually they got the whole program worked out right there in that room, principally by those people themselves. I was tremendously impressed. I was new with the company and I felt impelled to get up and make a speech, which I did. The substance of my speech was that I was so proud to be associated with people who worked together and I wanted to work with them and was just really pleased to be a part of this organization.

There was a very mild hand clapping practically none at all, and they broke up. But just as they broke up, there was a little lady came over to me and she had a twinkle in her eye and she said, "Mr. Watson, come here a minute," like she had a great, big joke on me. "Come over here a minute."

So we got over in the corner. She looked at me, grinning all over her face, and she said: "You're new here and we're glad to have you, but I want to tell you something. We've had problems like this lots of times before. We've licked them before and we're going to lick this one too. Don't you worry."

That actually happened. I just ask you, Can you buy that with money? No. Could you have gotten these people to have done what they did without other work suffering and so on if they had simply been told, "You report so-and-so?"

Now I realize, there are limitations from a practical management standpoint to which you can do that and that sometimes the circumstances are such that you have to be able to give commands, without any explanations or anything else, and expect them to be followed. But unless the background and basis of understanding have been established before that, I can assure you that you're not going to get the response that you would otherwise get when that command is given and