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THE PROBLEMS OF INDUSTRY

by

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What are the problems that business faces? I think the answer to that question is almost identical with the question: What are the problems of men of action, men who are deciding and doing things, whether in politics, or business, or the Army or Navy? What, in the broadest sense, is the problem those men of action face?

In this country through a period of amazing history we have been acting, I think, without a thoroughly accurate understanding of what we were doing. We have been fortunate because we had great resources, because at the start we had strong religions, because we had strong neighborhood feelings, - fortunate because in each one of our communities we had a relatively homogeneous population. If you study the structure of American society up to the last half century of our history, you will see in large measure the elements that make for stability and, because they make for stability, make also for confidence. These elements give the man who must act a basis on which he can act with understanding and confidence. However, today, I think we have lost many of those elements. We have lost the strength of the local communities because of the increase in rapid transportation and communications. Our technology which to a considerable extent had been fixed, - with each community more or less self-supporting or depending upon a particular item of foreign trade such as tobacco, no longer remained fixed, but suddenly went into flux as we began to accomplish significant changes through applied science. Of course the routines of the factory go back to 1820, but it is only in the last fifty years that the tremendous change has taken place which has affected the whole structure of our society.

The population has changed from homogeneous to heterogeneous and given way to assimilated masses of people with different habits and customs and routines. The factors that stabilize society are routines because they cause each of us to do as our neighbor does. Confidence is based on the fact that each one knows the pattern and can depend on these routines; we know how our neighbor is going to behave and because we

know that, we know how to behave ourselves. We have now lost much if that knowledge.

So, our routines have been destroyed and new habits have been growing. Take the corporation for instance; think how it controls the behavior of millions of people who show up for work at a certain time every day because of the corporation. We have been building up new routines to take place of the old, and with this change has come the problem of how to keep a moving equilibrium. I think we get over-rational about it and underestimate the importance of human emotions; at the same time we overestimate the importance of sheer logic. We began to think in terms of engineering. We saw tremendous revolutions of engineering that gave us things we never had before - things that multitudes of people want, things that satisfied great urges in human nature; and we began to overestimate the strength of the mind and underestimate the strength of the emotions in the structure of human society. This is evident in some of our research. Some of you are familiar with the Western Electric Company. I have mentioned before to groups here that this company started all sorts of wage incentives and methods of securing greater production - one after another - all the customary methods known to employers and on which they relied for increased production, such as rest periods, lunch periods, shortening of hours, and wage incentives of various types. Then, in the experimental room every one of these methods were taken out. But in spite of taking out these incentives, production was increasing continuously until the seating arrangement of two women employees was changed. Instead of sitting together they were put at opposite ends of the line, and production schedules went all to pieces. A social organism had been destroyed, - an organism that is more important than the customary incentives. Business has been creating this havoc unconsciously for two generations.

An engineering organization sits on the 20th floor of the Empire State Building and devises new production methods, new machinery for a plant in Toledo and after correspondence with the manager the new scheme is put into effect. It is put into effect by an order from New York that destroys a social mechanism in a factory in Toledo and no one either in Toledo or New York pays the slightest attention to this fact. Perhaps it is one which should be destroyed, but many times the new arrangement of machinery does not work out, just because of these human problems. Perhaps the net result is to attain a very substantial increase in production but somewhere along the line someone ought to have taken the responsibility for considering what was happening to the social organization and how it could be rebuilt.

A large number of the labor problems in this country are caused by the failure of employers to understand that when they made changes in the plant they affected social structure.

The depression came along in very severe form, we could discuss in volumes why it was so severe. It seemed to me from the beginning that it was bound to be severe. We had been helped out of previous depressions by social forces that cannot operate again; they have gone and gone forever. I see no hope of restoring our foreign trade to its old position where once in a while when we were in severe trouble at home we were pulled out by foreign trade. We had been thinking too much of specialists; business executives had been thinking about the design of automobiles and ways of appealing to the population through advertising. They had been assuming that if they could sell enough, all their problems would be solved. They had not taken account of human problems but were increasing the percentage of effort of mankind which was going into selling as contrasted with production. We scoffed at the dole problem in Europe, and the only alternative we now know is work. We have been too highly specialized, we thought we could continuously produce more for less labor. There are other issues that we did not take into account and because of the collapse of the economic structure (a collapse which I believe would have righted itself after a rather unusually long depression) it was inevitable that politics would come into the situation. Mr Hoover's administration started a great many things. Because of the fact that a nation is primarily emotional rather than intellectual it is impossible to obtain wise decisions during a period of stress. The time to prevent periods of stress is before they happen, if ever. Once we get into them there is no chance for rationality. It was inevitable under any political leader in this democracy with its heterogeneous characteristics that we should treat symptoms and take out evils, and we have been doing it. Yet the clinical physician does not operate for appendicitis when the patient has double pneumonia, if he can help it. We have piled up our remedies and have done so without understanding. NRA was as much initiated by business as it was by politics. Progress is just as dependent on established routines as stability is. Unless we know something about the behavior of our neighbors and can have some confidence in them, progress is impossible. Both stability and progress depend on persistence of habits of behavior, routines and customs. This is true in every area of society, whether Army, Navy, factory, state, or community of any sort. Progress as well as stability depends on these patterns of behavior, and politically we have been doing exactly what business did before. We have been attacking an evil which was inefficiency in line of production. We made improvements,

and we eliminated waste, but at the cost of disturbed social customs. We acted upon the assumption that, if there were evil, the procedure was to cure it.

Yet the structure of society often depends upon that evil. In the pattern of things that make a stable and progressive society vast interrelationships must work themselves out, and we often may find some segment we do not like, such, perhaps, as the distribution of wealth. So far as I can see, no one sitting down to organize an Utopia would ever think of having as great inequalities in the distribution of wealth as there are in this country. Such inequalities are indefensible, but a large number of things in this society depend on the uneven distribution of wealth. Unless we find some substitute for results that happen because of the uneven distribution of wealth, we may do vastly greater harm by curing this relatively minor evil. Let us consider our universities: those which depend on the state depend indirectly on the uneven distribution of wealth, for no state which has evenly distributed wealth would be likely to support education as liberally as our American communities have. The privately endowed institutions depend on the uneven distribution of wealth. I do not mean to say that because of that fact alone we should always have an uneven distribution. It is really a much more complex question than that. I do say that if we level our wealth without taking into consideration the dependence of hospitals and schools on uneven distribution, we might destroy routines that are far more important. From my standpoint the situation we are now faced with is this: we have a vast percentage of our routines in a state of flux. One thing after another that fifty years ago our forefathers and fathers felt were established forever, is now in a state of flux. Out of it all we do not know what will come.

The recent history of Europe is largely an account of destroyed routines - ~~to~~ few elements in society in which people could feel stability. I take it that the principal tasks being undertaken by Mussolini and Hitler and Stalin are, in every case, to reconstruct routines, to construct routines that will control and make predictable the behavior of vast multitudes of people. I take it that the Ethiopian war and the present situation in Germany are the result of the necessity for creating, on the part of the leaders, a fiction of emergency to pick the morale of the people up during a period when routines are being reconstructed. I take it further that the future of such governments, - whether they are gradually stabilizing under present regimes and whether they are likely to be permanent, - depends in large measure on whether the dictators are able to build routines rapidly enough so they will not be forced to lean on the fictions of emergencies and will

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be less dependent on particular individuals than they are now. This line of thought may seem a long way away from the question of what business has ahead of it, but I believe there is really a close correlation. Both business and politics today are facing the necessity of action where the basis for confidence, the basis of predictability on the part of great communities, is largely destroyed. Therefore we are forced to make administrative decisions both in business and politics with an inadequate understanding of the forces at work.

This country is peculiarly unstable in some ways. I can illustrate that in the field of advertising. The advertising in this country is qualitatively different from what it is in England and we used to think it was because our business men knew more about the value of white paper, design, type, and typography. But I think it is rather that unconsciously and subconsciously our advertisers have learned they must appeal to the emotions of the people of this country in a different manner than is used in England. In England a man buys an Austin or its equivalent, he is not in the market for a Dodge or a Ford and the advertiser knows that fact and advertises the product to the class of people which he feels is going to buy that car. Over here no matter what it is, we buy in response to emotional appeal and the nationally advertised product must keep up its advertising because it must keep alive emotional appeal, for if it collapses the article disappears like Sapolio from the market. This fact indicates that our whole population is less controlled by habits and routines than in England. It affects every business product; it affects the whole political situation and it accounts for the extraordinary waves we have politically back and forth, - waves that would probably have started long before if it had not been for the solid South which tends to keep the lines in one direction.

What are you going to do in a situation where you don't know what the taxation situation will be; where you don't know what the investment market will do; where you don't know the strength of the investment banker; where you don't know the conditions under which capital can be secured; when you don't know what your labor situation is going to be, and when you don't know whether your raw materials are going to be affected by inflationary forces? All along the line we are faced with the problem of doing business in a state of uncertainty. It is one of the dangerous ages of the world. It may be the beginning of one of the greatest ages in the world. The dangerous ages have been the periods in the history of America when progress has been most rapid either up or down, and at the present time I think we are hanging in the balance. We may be headed toward a greater civilization than the world has ever seen;

we may be at the beginning of a rapid decline. Either one seems to be a reasonable possibility. What we can be sure of is that we are not going back to the easy-going methods of fifty years ago. It will be mere speculation, one way or the other; but great changes are ahead of us. The administrator who thinks in terms of his immediate problem, in terms of how he can build a pair of shoes cheaper within the limits of his factory, and pays no attention to the great forces around him, is certainly going to be out of step. I think we must understand that the emotional responses of the people are of far greater significance than these logical schemes we adopt. We must study human behavior. I take it that the breaking point of many a war has been the collapse of the people behind the army, most frequently from economic forces but largely because habits and customs have been so thoroughly destroyed by the progress of the war.

I do not know what is ahead for business; I do know that business men will have to be less specialized. The leaders will have to think in broader terms about the social significance of their activities. We see now that failure to do so means the passage of leadership to other groups, and the only other group to take the lead is a political group. There is nothing in history that is more clear than that politics is not ready for the task. I think the greatest disservice was done the labor movement by giving it a degree of support for which its leadership was not prepared. I have on certain occasions talked to Mr. Green about too much support for the labor movement and the danger that the problems would outgrow the capacities of the leaders. I think all along the line we face this danger. The question is where to find the leadership - the leadership that understands groups of men - that will stop them from going fishing when they are due at work. Most of us would rather go fishing than work, but we don't - we do something else.

I say again, I do not know the direction in which business is headed. I do know that if this civilization of ours collapses it will be a collapse on the part of the administrators. It will be a failure of understanding resulting from a too logical and very specialized point of view, a failure to realize that a society like a family is not tied together by intellect but by routines, habits, and customs. The result will be a too rapid destruction of old routines with insufficient attention on the part of our administrators to the construction of new routines which will keep society in the moving equilibrium which is the only basis on which civilization will be stable and continuous. No civilization has been continuous because the routines that tied the society together have from time to time been destroyed. We have watched it in the primitive society and have

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seen how the social organism was destroyed, for instance, by the discovery of pearls that the white man wanted. When such a thing happens in primitive society the whole structure of society disappears, the birth rate drops, and stability is gone. We have seen it happen so rapidly that there is hardly time to make studies. The process of destruction of a complex society like ours may be similarly rapid but nature abhors a vacuum and if we lose our liberties then we shall have some form of dictatorship, either under domination of property or of the masses. If our routines are sufficiently destroyed the trend is likely to be in the direction of dictatorship. Therefore it is a dangerous period which we may face - a dangerous period for business, a dangerous period for politics, and for the man on the street, but in the last analysis if things go too far society as a whole will suffer most of all.

That all sounds pessimistic, but I do not think it is. It is time we faced the possibilities and thought about them. I look for a revolt of the routines; I do not believe we can destroy so many routines simultaneously and not have revolt. These routines that tie society together are deep seated and we are going to find that the community as a whole resents the changes that are forced upon it and is not going to accept an absolute change in everything that has made America what it has been. I think the forces of that sort are still the controlling forces, but I repeat, it will be a dangerous period for every element of our society - a period where we can have less confidence and less security than at any period since the nation began. It will be a more troubled period than at any previous time and yet a more interesting period. It will be a period wherein if we can get the right kind of leadership which understands the significance of the elements that make up society, a leadership in administration, which understands the necessity for action and decision, then the opportunity will be great. I believe we shall evolve such leadership in this country.

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Q - Do you advocate discipline of the masses as one solution of this sort of thing?

A - It is bound to come if our democracy fails. We are either going to make a success of democracy, which carries slight discipline of these masses, or, if our routines get sufficiently chaotic, we will have a dictatorship that carries with it discipline of the masses.

Q - Do you believe the situation will be materially improved if we have a responsible form of Government after next November?

A - I do not know what you mean by that question. I think in our form of government it is always a misfortune if one party has too wide a spread over the other. I think the violence of the swings is very unfortunate and I am quite clear that we are approaching violent political swings that no liberal democracy can survive.

Q - Do you feel there is any justification in adopting the view that there is a certain inevitability in the situation; that we are controlled by forces such as Spengler brings up in his "Decline of the West" by drawing historic parallels and indicating the trends of society?

A - I think that I would reply in this way: many of us stake our lives on the hope that Mr. Spengler is wrong. In other words, the human race will find methods of bringing its mental equipment to bear on these problems. What I have been saying is not an argument against the use of the mind; it is an argument to use the mind to obtain a better understanding of the emotions and of the behavior of men. I think if we stay in what I call our over-rational attitude of mind, if we think in terms of technologies and forget human behavior, then Mr. Spengler is largely right. We must have a better understanding of the emotional foundations of society.

Q - Are you an optimist?

A - Yes, quite chronically.

Q - Will you tell us more about the appeal to the emotions in the advertising in this country? Do you consider it desirable?

A - I think it is the only way of advertising in a community that responds to nothing but emotional appeals. I think the mode of advertising is a result of the condition of society. We cannot change the condition of society by changing the advertising. If you ask whether it is desirable to advertise, I will answer by saying that I think it is foolish to consider advertising a great social evil and loss. I dislike to contemplate what the condition would be if advertising stopped. I think, taking our society as it is, that to stop advertising would be to double the number of unemployed or its equivalent.

Q - We hear a lot of people advertising a product like motor oil over the radio; we are told that each is the best on the market

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A - Yes, I do think there is a lot of stupid advertising.

Q - You spoke about stabilities. I wonder if you have any concrete recommendations for the increase of the stability in the United States at the present time - any methods that could be taken by Government or business to increase stability.

A - I have been trying to avoid political questions this morning because it is so easy to give the appearance of a biased point of view in a political question. I think that the present tax program and the redistribution of wealth program are both very unstabilizing. The point I am making is that even if I believed every program of the administration were consistent with every other program, even if I believed that each part of the program of the administration was in itself sound and well administered I should still say that the sum total would be increased social instability, because I feel so keenly both the importance of routines and the inability of the human intellect to trace the ramifications of an important change. I do not know what the effect of the redistribution of wealth will be. It will take very little away from me. I do not know what its ramifications will be. I do know, however, that the sum total of so many changes brought about at once destroys my ability to have any foresight in great areas where it is important, in my judgment, that business men should have foresight. Maybe we should revise our whole society. I am not making an argument for its continuance. It is not given to mankind to blueprint the future, nor is it given him to set up an Utopia. The Utopia hunt is a breakdown of thinking. Anyone who has had the most elementary training in mathematics and will apply it to the variables concerned will see that any Utopia represents a breakdown of thinking. All that mankind can hope to do is to make adjustments that will preserve the moving equilibrium. We cannot wipe the slate clean of a given situation and predict what will happen. If we have communism, it won't be a Russian communism because we have not the same kind of proletariat group; if we have a Fascist movement it will be different from that in Italy. I say again, we cannot blueprint the future, it requires omniscience to trace those forces. In designing a ship one does not change one thing after another helter-skelter without studying relationships. A designer knows his limits well enough so that he can prepare an adequate design because he can weigh and measure and compute, and know within very narrow limits what is going to happen. It cannot be done with the ship of state, it is not built that way.

For example, I believe very thoroughly in social insurance. I have thought for a long while we ought to do our

best to minimize the necessity for it but there was an irreducible minimum that could only be covered by some form of legislation. But social security legislation administered in units twice the size of the largest unit for which there is any background in experience, namely, the unit comprising the Jews in New York City, embraces an organization problem in which in private business no one would invest a dollar. The plan envisages three different kinds of social insurance undertaken simultaneously, each one with vast experience behind it, but none in this country. My fear is that it will be so badly administered, even under the control of wise and honorable men, because of the complex problem, that some day we may throw it out completely. Let us consider the Jews of Boston, I mention that because the man who is responsible for the Associated Jewish Charities is a member of my own faculty. It is the greatest integrating force in Boston, keeping the Jews in some form of social integration and bringing the best to the support of the worst. The Association of Jewish Charities is doing a great job with a huge group of people under its control. Is it going to be able to continue to do that job in the face of the Government's coming in and dividing territory geographically and not according to the emotional background of the groups? Is it going to be weakened? If social security legislation should destroy these forces we are trying to organize, what will be the result? We think in terms of social security as though many hundreds of dollars were social security.

As a further example, let us take the hill-billies of the country. The hill countries of this nation have the largest birth rate, - all fine stock and they produce a vast percentage of the leadership of the community. I do not know whether the birth rate capacity for leadership will hold up if we succeed in making these hill countries easy places in which to live. I can see variables that do not seem to have been taken into account, and over and over again we think in terms of money instead of human values. I doubt very much whether we would make a better nation by suddenly doubling the income of the hill countries. Take Vermont, New Hampshire, Maine, the Adirondack group, and the Kentucky mountains; I do not know whether more money is going to make them more stable or happier. I am growing skeptical of the test phrased in terms of so many dollars. I am impressed that an industrial concern can raise the wages of a set of girls in a test room where the social system is being studied, then lower the wages and have production go right on up, yet destroy that production by changing the seating arrangement of two girls. We are paying too much attention to money and too much to engineering, but devoting too little thought to the question of the emotional reactions of people in the face of the changes we are imposing.

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Q - How do you evaluate the position of the Supreme Court in the maintenance of routines?

A - I think that is its function, - to maintain one particular set of routines. I think the social value of the Supreme Court is that it slows down certain types of change.

Q - You have stressed the necessity for routines in Government, especially in this country. How do you account for France and England, who have no written constitutions, changing their routines?

A - France has a constitution but England has something far more fixed; she has her traditions - traditions that control more completely than any of our written constitutions do. Those traditions have been bred in the bone for hundreds of years. You can go to Eton now and see the boys eating off trencher boards because their ancestors did. My young men at the Business School would not stand for it. A thing does not have to be in writing to be binding; most of the things binding on us are not in writing. I am really speaking for the value of habits, customs, loyalties. What is an army without loyalties; is it anything but a mob? Can you do anything in the army without loyalties? I do not think so.

Q - You have said that the British have a great deal more stability than we. Do you account for this by the fact that as a nation they are of greater age or do geographical and economical considerations have anything to do with it?

A - There has been a great variety of reasons: no immigration for hundred of years, for one thing. In the last hundred years much of the strength of this country has come from immigration but it has carried great problems of assimilation of many varieties of customs and traditions which England has not had to struggle with. I do not mean to be decrying this country and praising England; I am simply trying to face our problem. When it comes to strength of the constitutions, tradition is fully as potent a factor.

Q - It is estimated that something like eight million youngsters have been graduated from high schools and colleges in the last six years and a very small number has been able to find jobs. What effect is that going to have?

A - The depression has been prolonged enough and deep enough so that there is not only a shortage of skilled mechanics but a shortage of skilled young executives. There is a gap all along the line, its effect is widespread. In

my own faculty there is a gap of five years; in places where we ought to have three new men a year we have had only one. The factories have the same problem. The head of one of our big corporations said he wanted forty of our men as fast as he could get them so that he might bridge the gap in that way. These eight million I think are needed for American industry - both as skilled mechanics and junior executives.

Q - Are we to infer that you advocate a broader knowledge of the social sciences to the neglect of the exact sciences?

A - There has been an inadequate understanding of the place of social sciences in the community. If there is controversy in physics and chemistry, it is easily solved. There are, of course, higher flights that are controversial, but in general the chemist and physicist can work out fairly exact conclusions. The controversy between the social sciences is of a different type. The science of economics does not settle a problem, the conclusions of the economist are on his own premises, to which the administrator may take exception. I said I thought we were over-emphasizing values if we think of the economical aspects alone. Conclusions based on economics may get one into trouble in the environment of the factory, out of range of measurable quantities and into the range of part measurable and part human. We do not know how to use our social sciences. In the university we have split them up and made them more or less watertight, and by so doing we have made them relatively useless to the man on the street. When the political scientist says "X" and the economist says "not X" you cannot compromise them. When Germany gets into the League of Nations on one set of abstractions and Japan on another and England on another, there is no compromise possible. In the social field it is necessary to take the whole situation and try to do the best thing that can be done; acceptance of preconceived conclusions may result in trouble. Any business man who makes decisions of policy on nothing but the conclusions of the economist heads himself into trouble because he must consider other aspects of his problems as well. It is a different situation from that found in a natural science, "We have not adequately known how to use the social sciences, and to make them useful at the point of action. We can't accept the conclusions of the social scientist because they are based on the particular principle that the economist or political scientist has picked out for his own purpose. How to use the social sciences is one of the problems on which industry has fallen down badly.