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# NEW HORIZONS IN MANAGEMENT;

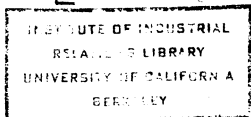
*an address by*

H. C. McClellan, *President*,  
*National Association of Manufacturers*

*at a public meeting on*

*April 6, 1954, sponsored by*

**INSTITUTE OF INDUSTRIAL RELATIONS  
UNIVERSITY OF CALIFORNIA, LOS ANGELES**



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# MANAGEMENT

A few days ago I received a most surprising letter. It came from the chairman and principal benefactor of a well-known foundation. The purpose of the letter was to persuade the National Association of Manufacturers, through me as its president, to adopt as the Association's economic philosophy the concept that we should move backward, not forward, in meeting our economic problems.

It was obviously the opinion of the writer that in this country we have more than reached a mature economy; that we are confronted with overproduction; that already we have too large a work force to be sustained on the job; and that unless steps are taken to reduce both production and employment, the inevitable result will be a depression. The writer urged that we "pull the rug out from under" those economists who espouse that philosophy which calls for an expanding economy—an economy based upon greater efficiency with lower costs, higher wages, lower prices and deeper markets, the kind of economy which provides the maximum incentives to produce and sell and consume.

This is not a new idea. We heard a lot about it in the depression years of the thirties. At that time, those adopting the "mature-economy" concept decided that the then population of 123 million was nearing its peak and certainly would not exceed a maximum of 150 million, that unemployment would thereafter be a constant and continuing problem, and that the only remedy would be to eliminate the oldsters through retirement.

But much has happened since 1933. Our population did not cease growing at 123 million or at 150 million. It has now reached 161 million, and our presently employed work force amounts to 60 millions of people. Even with our present unemployment, which runs upward of three and one-half million, and which, incidentally, is at a higher point than the average for recent years, there are 20 million more employed than in 1933; and there are five million more people gainfully employed at this moment than there were in 1941.

Our economy has been expanding. On the basis of recent studies, it is anticipated that by 1975, when most of you will be at the mid-point in your careers, our population will be upward of 200 million. This will call for a tremendous further expansion of our economy. Forty million more people (the minimum estimate for 1975) means 40 million more consumers, or, in the businessman's language, 40 million more customers. Think of the homes and furnishings and personal things that all of those additional millions of people will need.

Furthermore, as we increase our efficiency and raise our standards of living, each of us will buy and consume more goods and services than ever before. As a result of scientific and technological advancement during recent years, the American people have already demonstrated their willingness and ability to buy and consume new products. Television, the plastics, new electronic devices and many varieties of consumer goods unheard of a generation ago are commonplace comforts for the average family today. Roughly speaking, 22 million new industrial jobs will be required to meet our economic needs, and this will call for an additional investment of 264 billion dollars to provide new

plants, machines and equipment, and inventories. I believe we have every right to look forward to new horizons as we enter the atomic age, which promises to open entirely new fields of scientific and technological advancement.

If this is a reasonable assumption, we are on the threshold of the greatest rise in American standards of living and individual opportunity that we have yet seen in this country. But such a "rosy future" is by no means assured. Large populations in themselves have never brought prosperity. Some nations, even today, are suffering increasingly as their citizens increase in number. There are conditions to be met if we are to advance apace with our increasing population.

We will require sound government policies, policies which encourage industrial growth and expansion; we will require continuing scientific and technological advancement based on research; and we will need many billions of new capital investment to provide machines, tools and new facilities. If our maximum potentials are to be realized and if the conditions I have just mentioned are to be met they will be met by the actions of people.

PEOPLE in government will have to provide and maintain the climate in which industry can grow and expand. PEOPLE will have to supply those untold billions of new investment capital. PEOPLE will have to invent new machines and do the research for new products and processes. PEOPLE will have to man the new machines and provide the new services. PEOPLE will be the customers who buy and consume the goods and services produced by industry.

And now I submit a discouraging but clearly established conclusion: during the last century, we Americans have made almost incredible strides in scientific, technological and cultural fields; but there has been, it seems to me, one seriously weak point in our progress. That weakness has been in the area of human relations—in our ability to work together in peaceful cooperation toward a common objective. There has been and still is needless strife and discord. There has been and still is extensive, needless, dangerous discord between the elements

in our society. We find it not only in labor-management disputes but also in government and within our interracial relationships. Even our political disagreements on occasion reach the point of delaying national progress, if not halting it altogether.

It should be said, I believe, that this is not only true here in America. It is true everywhere. Even after two world wars and numerous minor ones, nations around the world are still at swords' points because of conflicting philosophies, incompatible ideologies and selfish, shortsighted ambitions. The failure of people everywhere to achieve reasonable understanding and good relations with each other is the prime cause of most of the trouble in the world today. I doubt that there is any justification for a sense of inferiority on our part as Americans merely because we too are lagging in human relations progress. But I certainly believe that recognizing the importance of people's attitudes and actions in shaping the future of our country, we should increase our efforts toward establishing and maintaining good relations with each other in all of our activities.

We in industry do not propose to shirk our responsibility in this direction. As president of the National Association of Manufacturers, I have travelled many thousands of miles since January. And, as I have moved up and down the country, I have been struck repeatedly by the fact that one preoccupation, common to all of us in industry, is how to cope with the human problems which exist in every plant, in every office, in every department, in every community.

Some of us are trying to lick snags in production. Others are on the trail of new materials. Some of us have machinery and equipment problems, or we are redesigning our product, or we're battling for the development of a better sales approach to meet the problem of sharpening competition. But all of us in industry have one objective in common, and that objective is the improvement of human relations in our plants. In the past, we in management have not always done our best work in establishing and maintaining good relations with our government,

with our union officials, with the general public, or even with our own employees. I think many times we have taken ourselves too seriously and have been unreceptive to the ideas and suggestions offered by others. Management's job obviously is extremely important, but every manager should, on occasion, sit back and have a good hard look at himself from the other side of the table.

Speaking for management, I am glad to say that looking forward to the future, we are doing much more than merely rearranging our prejudices and rephrasing our complaints. And so today I want to discuss with you modern management's concept of its responsibilities in dealing with its own people—the men and women who work in our factories and offices and on our assembly lines.

To begin with, I think we must recognize that human nature has changed very little throughout all history. Certainly through the development of social order we have regulated human conduct to a degree. We have, nevertheless, retained the same basic instincts—selfishness, greed, jealousy, hate and even a measure of dishonesty. All these instincts respond to circumstances, influences, conditions and leadership. We have also retained the characteristics of loyalty, good conscience, ambition, independence, self-reliance, love of freedom, home and family, and a universal desire for security. And these characteristics also respond to circumstances, influences, conditions—and especially to leadership.

During the last hundred years, our American economy has changed from an agricultural to an industrial economy. As this change has taken place, the opportunity for individual security has undergone a great change. Seventy-five years ago, if for any reason a man lost his job or just plain wanted a change, he could go West and start all over again on a section or half-section of land. With a plow and a fair measure of grit he could build his own security. But this is no longer true. The land is all occupied. Today, a major plant or industry shut-down can throw the workers in a whole community out of work through no fault of the employees themselves.

Unemployment insurance is intended to cover, in part, the needs of the temporarily unemployed. But this is no answer to the problem of job security, nor is it intended to be. I am aware of the fact that many people believe that we can resolve this problem of job security merely by passing a law or signing a contract guaranteeing employment. I am also aware of the fact that, to a degree, industry has failed to do its utmost to maintain the maximum in steady employment through the years. We of industry are far from perfect. We are human, and we are, like anybody else, motivated by the primary interests of self-preservation. We want to protect our own jobs, our companies and our companies' profits. But we are also interested in doing the things which hold the greatest promise for long-range success—for us as individuals, for our companies, for our employees and, above all else, for our country.

Security has always been a matter of prime importance to mankind. All of us, regardless of our economic situation, are concerned with it and worried about it. As nations, we fear aggression as a threat to it. As individuals, we worry lest we be unable fully to provide it for ourselves and for our families. Our search for security is no discredit to us. It is the natural, instinctive reaction to the logical, realistic fear which springs from knowledge of the past and from uncertainties we see in the future. Security, and desire for it, is one of the prime incentives which drives mankind toward achievement. It is a just and reasonable goal. The only real question is how best to attain it.

Let us be practical, honest and realistic, but let us continue our drive toward realization. The employer is very much aware that these may be critical days for his company. He is *equally* aware that what affects his company also affects his employees and their prospects for steady work and steady pay. He knows from experience that steady operation is efficient operation and low-cost operation; and he is striving to find ways to stabilize production and level out the work curve. He knows that irregular work raises hob with company profits and employee incomes. And he knows that, as his people read about worrisome economic conditions in the newspapers,



they have a growing feeling of insecurity because they wonder if this means something will happen to their own jobs. True, work for the hourly employee is far more regular than it used to be. In fact, progress in employment stabilization has been so persistent over the years that few people stop to realize how seldom nowadays you see plants closed down for the season or even for changes in design or models. We've come a good way along, but there is still a long way to go.

It is vital that every employer whose plant production fluctuates make an intensive study of his company to find out what can be done to eliminate peaks and valleys and thereby assure the greatest possible degree of steady work and pay for employees. This is not only in the interest of the employees. It's good business sense for the company. This may not be a simple job in many companies, affecting as it will every facet of their operations. Whatever the cause, however, management should be alert to the need for all possible efforts to reduce job fluctuations.

We all know that the industrial workers of this country, to a substantial degree, have become specialists and that jobs must be provided for them if they are to eat and live. They can't, as in years past, go back to the farm if they lose their jobs. And, it goes without saying, the unemployed make poor customers. This creates a real challenge to industry, particularly at a time when the quest for security has reached new peaks as a driving force in our society.

Over the years a sizeable amount of informative literature has been developed on the subject of guaranteed work and wage plans. The more wonder then that there is still a fairly widespread misunderstanding of what these guarantee plans are and how they operate in the few companies that have adopted them. The announced determination of several of the unions to obtain "guaranteed annual wage contracts" at the collective bargaining table has aroused widespread interest in this subject.

Certainly there can be no quarrel with the basic motivation underlying the demand for the guaranteed annual wage, that of steady work and steady

pay; but there is great urgency for *everybody*—management, employees and the public alike—to *understand* the problem and the possible solutions to it. Whatever may be management's view of proposed wage guarantees, its response to this issue can greatly affect both its internal and its community relations. The problem is not one which should be brushed lightly aside.

When we seek the cause of today's preoccupation with security, we find some very interesting phenomena abroad in our society. There appears to be a growing acceptance of the idea that personal security comes solely from gathering around us certain material objects. We've forgotten that it comes in part from inside ourselves, that our strength and our real security may lie in "change" which is so integral a part of dynamic freedom. We are all seeking escape from insecurity, but there are no ways to make a living that are 100 per cent secure. If you are a farmer you have to watch the weather as well as the market. Who guarantees business—and pay—to the butcher, the doctor, the grocer, the lawyer? Who is going to guarantee my company sufficient orders for paint to enable me to maintain any specific level of employment?

Security is a peculiar thing. It can be found at the work bench and in the cottage, and it can be missing in the executive offices and on the estate. So long as our national economy is sound, security is within the reach of every individual who performs useful work and who develops his own abilities to the highest possible level. All too few people seem to understand that economic security comes from production and from payrolls, NOT from government or laws or contracts.

Disturbed as we may be about this widespread concentration on security, which in its ultimate expression could conceivably develop into a national pattern of doubtful "guarantees" without foundation, it becomes apparent that industry must buckle down and work out the most practical solutions. We in NAM do not profess to know what is the best approach for all plants. However, our long-term concentration in this field has led us to some exciting discoveries, discoveries which prove that any

organization which attacks the problem of steady work and steady pay with zeal and determination, will be amply rewarded.

Over the years, certain methods and techniques for reducing fluctuations in production and employment have taken on special significance. Their relative importance and method of application, timing and emphasis must, of course, be tailor-made to fit the needs of each company. The primary cause of seasonal unemployment stems from ups and downs in seasonal sales volume. Therefore, a study of how to stabilize employment would logically start with a survey of the fluctuations in sales and a thorough exploration of all possible methods to avoid such swings in sales.

Many companies have found it possible to substantially remove both peaks and valleys in production by anticipating high sales points and producing to meet them during slower sales periods. Let me illustrate. My company manufactures paint. In a normal year, our monthly sales vary substantially with the seasons. Peak months' sales are just about double the low months. Through the years, we have endeavored to level out production. In the winter months, we overproduce on those items which require the maximum amount of labor in manufacture and which can be stored in the minimum of space. Included are the small packages, the difficult colors and the more complicated process paints which are always slower in passing through the plant. Anticipating sales on these items for months ahead, we have them produced and stored in our warehouse. When the rush season comes, those products which require the maximum in mill time and labor are out of the way; and our mills are free for fast-run production. The effect has been to substantially eliminate fluctuations in the number of men employed throughout the year.

This, of course, is assuming that over-all sales for the full year remain constant. If business generally turns downward, or if we fail to remain competitive, or if our sales department falters, our business falls off accordingly and employment is reduced. But as our business grows, over-all production increases, and with it, employment. But in spite

of all that management can do, it should be more widely recognized that as long as Americans have the freedom to buy what they want and also not to buy something, steady production and steady employment is not entirely deliverable; and that even though we may avoid depressions, business can never be universally high. That's because we have a dynamic economy where every single year, half a million new businesses take root and almost as many die off.

Our system is not just a profit system. It's a profit *and loss* system. Progress means change and change may mean that somebody gets laid off. There are indeed limitations to what business can do of and by itself, but no one can convince me that greater application to the problem will not bring greater results. The guaranteed annual wage is not management's only problem. It is merely a part of our overall human relations problem. As employers, we should recognize, I believe, that in our system it is our employees who hold the key to successful competition—their ideas, their views, their willingness to buckle down, to pitch in, to work together that makes it possible to get a job done.

I have always felt that I had two personal obligations in my plant: *first*, to see that my company is profitable, and I recognize that men go into business only because they think they can make a profit; my *second* obligation is to see that the employees find in their daily job a sense of satisfaction, and I do not know which comes first because they are both a part of the same. I cannot accept the viewpoint of some, that these two things are at cross-purposes. Rather, the one contributes importantly to the other. If the reason for establishing a business is to make a profit, then it is logical that every policy, every decision, every act should work toward that end and should enhance the profitability of the enterprise. Every individual on the management team, from the first-line foreman to the president and back again, should understand and accept the fact that the single most needed requirement is to learn the secret of dealing with our people in order properly to enlist their cooperation toward the profit objective.

It is difficult for me to discuss my personal philosophy with respect to the complete integration of sound human relations and profitability in terms which will not be misinterpreted. Either I run the risk of being labeled a "Pollyanna" at the one extreme or a "Mr. Moneybags" at the other. When talking in terms of job satisfaction for the individual, I mean to be neither, but rather, a practical businessman and at the same time a human individual who realizes that the people who work with me in my plant are men just like myself, men who have a gnawing hunger for satisfaction of their spirit, men who, like me, are looking for a sense of accomplishment in their work, a feeling of worthwhileness, people who want the admiration and respect of others. When I talk about a sense of satisfaction on the job, I am not just talking about giving them a square deal. That goes without saying. I am not talking about whether they are being fairly paid. That too goes without saying. But I ask myself whether it is possible in my company, feeling as I do about the importance of people, to develop an atmosphere in which a man comes to work in the morning, takes his place at his machine or at his desk with a feeling, "I have got a job to do today, people are depending on me," and having done a good day's work goes home to his wife and family at night with a sense of accomplishment and satisfaction.

From that line of speculation, I have gone further, and here I am about to make somewhat of a confession. I wonder whether it is possible for a man in my plant, or for that matter a man in any plant, to tell me honestly what he really would like to have in a boss. I am betting that he would really want the same things that I feel an employer has an obligation to provide for his people. I have thought about this for a very long time, and from all the tests of public opinion I have seen and from the opportunities I have had to talk frankly with people, I have come to some tentative conclusions about what a man wants in a boss. First of all, the word in itself is an interesting one. I don't like it. It is anathema to me. But because it is in the vernacular, I'll use it today. Who is the boss, anyway? I am the president of my company. I suppose I am

the boss, and some people in my plant may speak of me in that way. At the head of the list, I think men want their boss to be a leader, somebody they can follow and be proud of—not just because he is the “big wheel” or because he has the power to hire and fire, but somebody they can trust and respect for the kind of man he is, for his integrity, his honesty, his leadership and his vision. And I mean a leader, not only because he has an acknowledged grasp of the business, but a leader from the human standpoint as well, who brings out the best in others. Yet frequently a gap exists between this desired objective and actual conditions.

Every employee has a natural hunger for information that affects him on his job. His job is a vital part of his life. He spends more time with his co-workers than he does with his family, his friends or his neighbors. He wants all the information he can get about his job, bad as well as good. He'll get this information somewhere; and if he doesn't get it from management, he will get it from some other source, and the results are apt to be damaging. The average workman is not only a good citizen; he is an honest, conscientious, willing producer. He wants to cooperate with his employer. Unfortunately, however, his judgment is no better than his information. Without proper knowledge he often becomes apprehensive or suspicious or uncertain. Then years of carefully nurtured relationships go by the board.

Almost without exception, the frictions and frustrations we find in the workplace stem from the failure to satisfy the basic needs of people: the sense of recognition, of pride and of self-respect, which are human desires everywhere, whether in the plant or in the front office. We thwart these desires, this hunger for information, when we fail to tell people how they're doing, what's ahead, what changes are planned and what these changes will mean to them. Employees are forming opinions every day about us as top management, about our companies, about the major national issues under debate. Do they base their views on hearsay, biased propaganda, the grapevine? Or are we giving them the facts they need?

Today we in management are addressing ourselves to the crying need of the individual for personal recognition and status; to the need of people who work in groups for a feeling of importance and acceptance in their relations with each other. These are compelling needs which we know must be dealt with in the plant. They're the needs of everyone from the president to the foreman to the sweeper. They're as fundamental as bread.

We know that people are going to seek an outlet for these needs somewhere. If our employees are not on our team, they'll be on somebody else's because it is a characteristic of human nature that men must tie up to something, "belong" somewhere, be attached to an effort. It can easily be us and our company that merits that loyalty, that makes them say "*our* safety record, *our* production, *our* outfit." If our people are convinced that we want them to make the most of their abilities, that they are free to tailor their own design for living—including the right to join or not to join a union—but that we intend to do everything in our power to promote their status and dignity by giving them the chance to create their own good life, we will have as our allies a proud and happy work force.

The vigor of the marketplace today is such that every employee needs to be a salesman. By pushing quality up and shoving costs down, even the man at the bench or on the machine is on the sales force. If we treat him right, he'll be our personal supporter too. He'll respect us and dig in for us and be the kind of a team man which every business will need to attain the new horizons of which I have been speaking. Never were the interests of people in an enterprise more closely bound together. Never has an oncoming generation faced a brighter future, a horizon glowing with such tremendous opportunities. American industrial management pledges to you and American youth everywhere its best efforts to keep those opportunities open.

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