

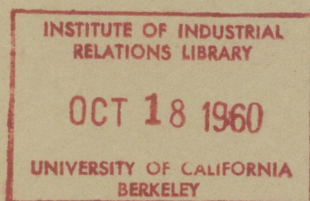
Participative management  
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# OCCASIONAL PAPERS

NUMBER 18

A PRESIDENT'S EXPERIENCE  
WITH DEMOCRATIC MANAGEMENT  
by James E. Richard



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**A PRESIDENT'S EXPERIENCE**  
**WITH DEMOCRATIC MANAGEMENT**

by

James E. Richard

A Paper Presented at the  
PROGRAM OF CONFERENCES  
Commemorating the  
DEDICATION  
of the  
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## JAMES E. RICHARD

Mr. Richard is President of the Red Jacket Manufacturing Company of Davenport, Iowa. His experience in that company includes positions in Sales, Labor Relations, and Personnel, and as Production Manager, Assistant to the President, and Executive Vice President. Mr. Richard holds a bachelor's degree from the Humanities Division of The University of Chicago. His major field of theoretical inquiry is the problem of conflict between the individual and systematic organization. He maintains contact not only with operating men in industry, but with individuals in several major universities, and speaks extensively to management groups.



## A PRESIDENT'S EXPERIENCE WITH DEMOCRATIC MANAGEMENT

The theme proposed for my remarks today is the idea of "democracy applied in industry." My first thought was to object somewhat to this use of the word "democracy." However, my second thought was to welcome it as giving me an opportunity to make a point.

I believe that businessmen can validly object to the term "democracy in industry." In a country where private ownership of capital is the legal and practicing tradition, it can be misleading to speak of applying democracy in industry. In the political sense, we think of democracy as being a method of representation, in which the power of control ultimately rests in the hands of the electorate. Now can employees control? Of course, if stockholders happened to be employed in the company, some measure of control would rest with the employees. But if not, and if stockholders are to protect their equity, it surely seems to follow that it is not their function to put ultimate control into the hands of employees, who do not have ownership responsibilities.

In this sense of ultimate power of control, the view might well be defended that we have the very opposite of democratic conditions in business. Because we hold being democratic a value, we tend to overlook this very real, built-in limit upon democratic processes in business.

## A DILEMMA FOR MANAGERS

With this clarification, I go on to my major point. Today we are concerned with 20th century man's need to find and express himself as a particular individual in an increasingly organized and impersonal society. Ours is predominantly an industrial society, dominated by the fact of organization. So we feel an urgent need to solve the problem of the individual person in his conflict with the constrictions of formal structure.

This results in a true dilemma for managers. On the one hand, we have the force for logic, order, and control, and on the other, the need for the freely responsive, the creative, and the impulse for change.

In industry, the most immediate necessity is for logical planning, doing, and controlling. The realities of the market place demand competitively effective planning and control as a naked necessity for survival. But in a larger sense, we need the productivity and creativity of people more than ever before. There is the real question of whether our traditional practices of organization are not serving to limit and defeat the very quality of human creativity to which we aspire.

There certainly is a compelling need for logic and order, for standardization and conformity to standards. These methods have made industry exceedingly productive. And yet our ideas of organizational structure, job simplification, incentives, and employee relations, as well as our control systems, require, and tend to develop, submissive, dependent performance. Sometimes active or passive revolt is generated. More often an appalling measure of unhealthy dullness is the result.

Besides the practical management difficulties we experience, our sense of ethical and social concern is deeply distressed by the problem of the individual subordinated to the organization. I assume that it is not simple acquiescent, conforming, or apathetic performance we would like to see, but a lively interest and sense of excellence.

It would be absurd to deplore organization as "bad," since it is a necessity. And yet we are faced with the problem of reconciling the pressures for logic, system, order, and control with the irrepressible needs for latitude, self-expression, personal identity, and creativity.

## EARLY EXPERIMENTS

In our company some years ago, we became interested in this problem, and we set out to try some experiments. From experience, and by trial and error, we discovered some things that worked for us. And perhaps more important, by making mistakes we found some things that didn't work.

Our first experiment was to try to develop something in the nature of "participation" or "communication" from the bottom up. We created what we called "forums," which we held regularly on paid company time. These were conducted by top management or staff men, and we talked about company matters. We explained programs, invited comments and questions, and dealt with some controversial shop questions. We also wrote informational letters to the employees. We had open houses for the families, and the executives went out into the plant and encouraged workers to express their views. We worked hard at all this. And we did have considerable success in helping the men and women in the plant to get more representation of their needs and interests. But we unwittingly put the foremen and much of the management in a tough spot.

It seems easy to see now, looking back, but it wasn't so easy to see then. While we were helping the men and women in the shop, we were putting great pressure on the foremen and management. This hadn't been our intention. In our eager desire to alleviate our sense that workers were so completely at the bottom, we came up with an undesirable result.

Here I might make an observation. In this matter of manipulating people, of which we, as managers, are so frequently accused, I have noticed that much of our manipulation is unconscious and unintentional. This, of course, doesn't excuse it and perhaps makes it worse. But we sometimes achieve a freer situation in one place only at the expense of someone somewhere else. This is why we need to keep trying to find



better ways of becoming aware of the consequences of our management actions or inactions. The true results are not always easy to foresee and not always what we hoped for.

## FOCUSSING ON SUPERVISION

Our next step was to take a much keener look at the predicament of supervision, of the foremen and staff men running the plant. We realized more than we had what a difficult situation the shop foreman is in, with the pressures from the top, the controls, the limiting circumstances in which he has to work, the production schedules, and the costs he has to stick to. And yet countering these, he has the pressures from the men with all their needs and interests. His task of trying to bring together in some kind of effective way the interests and needs of the men and women in the shop with the objectives of management is considerable.

Our efforts to work things from the bottom up, with their mixture of success and undesirable consequences, made it clear that in providing a freer atmosphere for people in the organization, there is a very considerable distance from the point of being concerned about this problem to the point of taking action on it. We saw, for one thing, that to install a "participation system" or a "communication system" of one kind or another is just as bad, perhaps even worse, than installing arbitrary, top-down pressure. To insist that people participate when there may be built-in factors that make participation contrived can be manipulative, and not even as straightforward as autocratic methods.

We developed an hypothesis that went something like this. The more centralized and dominant the leadership pattern of an organization, the more rigid the organizational structure. The more rigid the organizational structure, the more imposing must be the control. When dominance and rigidity are enforced, acquiescence is required. Acquiescence spawns

dependence. To the degree that people are required to be dependent, their freedom to apply ingenuity and creativity to their work is reduced. Therefore, a centralized, dominant, controlling leadership and organizational pattern tends to reduce the usefulness of employees as living, thinking, creative people.

When we recognized our bottoms-up effort for what it was, we drew back from the unnatural interference of top management's going directly to the bottom of the organization. Instead we tried to provide a freer, less controlling situation for supervision. We attempted to put as much of the decision-making, policy-making, and actual operating responsibility as we possibly could into the hands of the foremen and staff group.

The traditional role of the superintendent was radically altered. He concentrated on placing as much authority as he possibly could into the hands of supervision, as much as they could and would take. A really extensive use of consultative, collaborative practices was developed. This process, in fact, developed very far in the course of three or four years. The superintendent became so successful at it that he actually became more a part of the group than a controlling authority over it. Much of what would have been traditional controlling authority was successfully distributed to the group itself.

## OUR POSITIVE RESULTS

The positive effects of this were remarkable and richly rewarding. The foremen and staff men changed from passive, dependent, and acquiescent men to men who were effective, self-starting, responsible, and deeply involved. They shifted their anxious upward focus to a much more responsible attitude toward each other and toward the men and women in the plant. They developed some interesting methods of organizing themselves. They utilized the superintendent's office, which was a large working conference room, to handle their agenda in a unique way. They used a large chart pad on his

wall, and maintained a completely open and accessible agenda, of which they as a group kept control.

They had previously been fed to the gills with the management literature about the conference leader--how he shuts up the noisy, brings out the reticent, and plays the whole thing like a gifted maestro. (I'll never forget the \$700 we spent once for a set of little blue books, complete with conference leader's guide, and diagrams on how to arrange the chairs.) Actually, one of the best ways I know for one man to run the show is for him to seize the agenda and clutch it jealously to his breast, unfolding it, scrap by scrap. So when we say that our factory supervision as a group took over control of their own agenda we're describing an unusual process. It is not a simple process. But when understood and done well, it can be a most efficient method.

In most cases in an operating group, there is a live agenda. But knowing what it truly is, who has it, and what allotment of time and treatment it should have takes real attention. Without claiming this to be universally true, I feel a group can draw up an agenda much more wisely than a single person.

In the course of time, this development among our plant supervisory group became extremely mature. And when the day came for the superintendent to leave his job for another, some unusual methods seemed called for to replace him. After some perplexity, this matter was resolved by the group members themselves selecting--in this case from among themselves--the man to succeed the departing superintendent. That was about four years ago. The group still remains effectively intact, and more than ever it effectively utilizes its methods of collaboration and self-control.



## SOME PROBLEMS

However, all did not end without problems for us. The first-felt ramifications were with our executive management. This whole development carried threatening implications for them. It raised such questions as: "Can managers really give up control? Should they give up control? Do people want more leeway? Should they have it? Will they really take it? Can they be trusted? Are they competent?" Many of these questions were answered by the responsible and disciplined performance of the foremen and the factory management staff. But some more gnawing questions were present for executives: "Isn't the manager paid more because he knows more or contributes more? Can a manager afford to give up control? How will he get ahead if he can't demonstrate some superiority of contribution or knowledge?"

In addition, there was the fact that some men get real satisfaction from manipulating, controlling, and guiding people. For some men there is challenge and excitement in the game of company politics. This game is looked upon as the way to get ahead. And to some, business is business, and people are paid to perform--everything else is nonsense. Sentiments like this are very common. And the whole traditional program of management rewards and status is constructed to reinforce this set of attitudes and motivations. Ours was no exception.

Thus, our well-intentioned interest in the improvement of our factory management group was welcome to them, who had nothing to lose and everything to gain, but far from welcome to the higher executive men. Some of the executives had arrived at their positions by virtue of years of energetic and intelligent response to a top-centered set of leadership values. These values were quite different from the values that seemed implicit in the position taken by the plant superintendent. (This is not to say that they did not agree with some of the objectives and benefits of the process.)

We tackled these natural questions. We worked at them, talked about them, and thought about them. This led us to a further question, "How can the bottling up of ideas and energy be overcome?" Granted the price paid by persons pitted against each other; granted the cost when men climb over each other in self-centered aspirations; granted also the deadly pressure of boredom, disinterest, cynicism. But must an executive and a natural leader become a faceless quantity and reduce himself in the interests of greater expressiveness for a lot of other people?

## FREEING THE MANAGER

We worked on all of these questions. We conceived that a primary function of leadership in an organization is to provide the conditions under which people can have the maximum freedom to be responsible, interdependent, and self-controlled. Instead of acting in such a way as to reduce this freedom, a manager should have the prime responsibility for the over-all vitality and health of the organization, and should be rewarded accordingly. We felt that the traditionally prime function of motivating, goading, and controlling might become a secondary function, and might conceivably, in a free organization, even disappear. We felt that if a manager did not have to be the sole judge, the evaluator, the prime controller of people in the organization, these functions might eventually be provided for in other ways. This might then free him to be creative with the organization rather than for it.

For a long time, these notions were purely hypothetical. It did seem that there might be some significant differences between the circumstances of the higher executive group and the foreman-level supervisory group. One expression of this was a tendency among the executives to be more reserved in their inter-personal relations. Perhaps they felt more responsibility for harmony. At any rate, the foremen seemed more capable of hot and direct dispute with each other. On the executive level,

there was a great deal of politeness but sometimes a rather surprising lack of real exchange.

To some of the executives, the foremen seemed to be going through an undue amount of talk, and things often seemed disorganized and chaotic. Conversely, to the foremen it seemed that upper executives weren't leveling with each other, were competing, and under the surface were pulling against each other. We began to learn that some men find anything but a surface relationship very difficult. Dealing with strong feelings seems painful to them.

One natural way of dealing with these problems is the use of authority from above, or of corridor manipulations against cohorts and those below. For men of this bent, being in a situation where personal effectiveness may depend upon a high degree of exchange with others can be terribly difficult. In fact, this was so important that over a number of years the make-up of our management organization gradually changed. Managerial capacity for more than a surface relationship began to be important. With the retirement of some of the older men who were accustomed to a more inhibited way of working with each other, young men came in who had a greater capacity for informal directness. Gradually throughout the management, there developed the capacity for group processes based on a sense of informality and open exchange.

## DEVELOPING GROUP ACTION

We grew a long way from the days of the conference leader guide, and more and more dropped controlling and restrictive techniques. We also learned how to differ constructively. We began to discover that there are different kinds of groups and group relationships, with different purposes and circumstances. At one early point, we moved to the other extreme, and went to the totally unstructured group. I smile now to remember some of the hours we spent trying to discover what we were meeting about



when we first became acquainted with group-centered methods. I believe some of the older men who retired from the company about then still believe we spend most of our time in a room together trying to figure out why we are there and what to do.

However, out of all this came a very strong feeling that we liked informality. We gradually began not to want formal organization nor many, if any, permanent committees. Instead we began to depend upon the initiative of individuals or combinations of individuals to form groups as problems arose, to include any one who had an interest in the problem, and to disband whenever the problem was solved.

We found that the main requisite for this kind of natural responsiveness to situations was a climate in which people felt really involved, responsible, and interested, and where men felt self-confident, secure, and open. This kind of atmosphere really works when it exists, but much organizational growth must take place before the condition exists. Creating such an atmosphere takes time, and we found that it must mushroom slowly throughout the organization. It probably began at the top.

We became less and less inclined to try to "teach" development to people. We came to feel that when "taught," personal growth and development are somewhat like an old-fashioned mustard-plaster. It sometimes sticks to the skin and keeps in some heat, but it doesn't have any effect on the inside.

## ORGANIZATIONAL CHANGES

We began to depend more and more on face-to-face experience and on living together. We began to stake out responsibilities for each other, but we didn't like formal or rigidly described functions. We came to feel that functions are really quite clearly discernible on a commonsense basis, and that the important thing is to develop skill at recognizing and handling areas of overlapping interests together. About the only place anything resembling an organization chart concerns us now is when some of us get

together over a problem and need to set up the running plays and signals. We scarcely ever get into any of the old wrangles about whose right and responsibility it is to carry the ball. We simply have the occasional question of who does have the ball and who is blocking.

Thus we feel that we have evolved an over-all management that functions in some significantly different ways from our pattern of years ago. Our management really does extend from president to foreman, and we have made some real efforts to shift the emphasis of power. Operating control has been significantly diffused from a few to many. The positive results have clearly been to relieve men of a cog-like feeling and a sense of dependency. Direct, open, straightforward relationships have become natural. Interestingly enough these include the capacity for open, direct differences, sometime hot and heavy. We try to specialize in bringing differences into the open so that we can work them through. I believe we have developed a more mature capacity for simple live-and-let-live, based on a fundamental interest in deeper relationships.

The relevant point, to me, is that this is not a system. It is, in fact, the opposite of logically conceived and constructed organization. It is a process of direct, living relationships which cannot be synthesized but must be grown from the distinctively human joys and pains of life.

## DIFFICULTIES AND DRAWBACKS

Accompanying our present stage of organization are some difficulties too. Reduction of centralized power and control frustrates some of the company's outside connections. Some customers, suppliers, and members of the public need to have simple points of contact which are dependable and quickly responsive. For instance, there was the letter from the marketing man of a major supplier, who wrote, "I have lost my point of contact; please tell me if I am taking my problem to the right place

in your organization." And there was the salesman of another, large, aggressive supplier who was indignant, seemed to feel almost cheated, that he couldn't play purchasing, engineering, and sales off against each other, and that his divisional manager's effort to go "higher" was unfruitful. For in our company, purchasing, engineering, and marketing have close ties.

A second kind of problem is long-range planning. In the early stages of planning, we have not found a way to be very inclusive. Planning to some degree seems a special function of a few who have fewer operating responsibilities, and this tends to force structure into the organization.

Third, there is the fact that many people in the organization are deeply accustomed to a controlling, directing atmosphere. There are those who actually do need the concrete structure of organization in order to function. I'll never forget the day the switchboard operator exploded, "What this place needs is a Boss!" But much more serious were the several instances of men in management who were unable to handle themselves without stern control, or who misinterpreted warmth and personal concern from cohorts. As we attempted to reduce the lines of controlling authority and put men more on their own, some transferred their dependence to cohorts for discipline or control. We have had some unhappy experiences which seem to have demonstrated that this kind of atmosphere really requires a pretty mature capacity for contribution and self-control. It can throw dependent persons into conflict.

And, finally, there is the very complicated but relevant question, "Can this approach extend beyond management? If so, how?" Granted that throughout management, a broad latitude of freedom and individual responsibility can be developed and people learn how to function on an inter-dependent basis, what becomes of the people further down in the organization? As things traditionally stand, people are narrowly limited by the work processes and by systems at the worker and clerical levels. Can order and control be relaxed further downward?



We are on the edge of these questions now. We shall probably keep trying. We find it reassuring to look backward and see that we have come, according to our lights, some way forward, despite several rather startling mistakes.

## SUMMARY

In summary, I observe that to refer to "democracy" in industry can be a misnomer. The total business situation is exceedingly complex, and subject to many pressures and limitations. There are many real and practical limits in business which force us to discard perfectly good value-questions as being ill-advised or inapplicable at our present state of knowledge.

However, I believe it is practical and relevant to attempt a conceptual framework from which to derive practical applications in daily management and I believe that it is pertinent and sound for us, as managers, to concern ourselves with man's eternal struggle within himself to be free and yet to be ordered. I believe it is of special importance for us in management to attempt to rescue talented individuals from the lowered aspirations, the boredom, and the habits of mediocrity so often induced by life in an organization. I believe we should become painfully aware that we have established organizational settings in which order, harmony, and predictability have been given more emphasis than individual achievement and excellence. I believe that business management must continue to try to develop a process of life that strives for meaning and purpose, having as our goal the climate which permits every person to serve the values that have nurtured him, with the freedom of the mature and the responsible.

## QUESTION-AND-ANSWER PERIOD

Q: How long have you been working at this orbit?

A: I think about six years.

Q: How have you done financially?

A: We're making money. We're moderately profitable.

It's a good question. I think that we have not done this at the expense of hard-headed business. But I'm not sure that one can say that this method helps you make more money, nor that it's done at the expense of the balance sheet.

Q: Your place in the field hasn't changed materially?

A: No, but we have great hopes for our place in the field.

Q: How do you resolve basic problems between two members of this management?

A: I think the simple answer is that we try to talk it out.

Q: Is there any final say-so? Does somebody step in and say, "Joe, we're going to do it this way?" And Joe has to buckle down?

A: Sure. I'll get academic for a minute and say that I think Mary Parker Follett said a very wise thing, I guess twenty or thirty years ago: that there are three basic ways to resolve human conflict. One is by dominance, in which somebody loses and somebody wins. The second is by negotiation, in which somebody gives a little and gains a little and somebody else also gives a little and gains a little. Finally, there's resolution by integration, in which nobody loses, and everybody comes out better together. We shoot for integration, if we can, recognizing this to be an ideal. We recognize that sometimes negotiation is necessary, and sometimes dominance. Sometimes we have to pinpoint who's in charge so he can make a decision.

But commenting on this further, I personally took an interest one time in this question, and Bob Burns led me to a part of The University of Chicago called the Counseling Center where they were concerned with counseling and psychotherapy. We took a great interest in the process of counseling. Actually there are several processes of counseling. We were interested in the client-centered school. This is where there is lots of emphasis on listening of a particularly unevaluative kind. We practiced and worked, and made some horrible errors in attempting to listen. But out of this came a kind of operating notion which we have been able to adapt and use for ourselves, and it's the thought that when a person is in conflict with himself, or when two persons are in conflict with each other, another presence, of a non-interfering but really interested kind, can be helpful.

Q: Does this give some release to the manipulative instincts of your higher level management when they're called on to resolve these differences by this client-centered counseling?

A: I don't know if I follow you.

Q: Suppose you have some feeling of conflict or loss on the part of your managers. Now when they get to be expert counselors and are called upon to resolve differences, doesn't this give them a release, to be able to exercise their manipulative skills?

A: I don't want to get out on a limb here, and suggest that we all become psychotherapists or that anybody in business become a psychotherapist. But I do make the point that there are some things we can learn from this process. The people in our place aren't trying to counsel each other in a deep sense. I think it's more relevant to say that we use an awareness of some of the things pertaining to counseling. For example, that disharmony is permissible, that a good old straightforward battle can be a healthy thing.



We found more ways of not using political indirections on each other. We gradually became more comfortable dealing with what had previously seemed taboo questions. The old habit was that if a fellow came up to you and said something critical, you tended to hear him say you were a drip. And frequently that's the way he said it. And then gradually we learned how to take emotion for granted, and accept it, and deal with it. A man can say he disagrees with you without your feeling he is labeling you a drip. But this is a long way around in responding to your question. I think that greater capacity for what I call deeper-than-skin-surface relationships can remove the necessity among us for manipulation. We learn how to express our strong feelings directly and how not to be upset by strong feelings in other persons.

Q: What about the selection of personnel?

A: This question is a very real problem. An organization that develops in this way becomes very closely knit, with a constructive capacity to deal with disharmony as well as harmony. So it's hard finding someone to walk into this atmosphere who's unused to the business of squaring off. It's hard to find the man who's developed a tolerance for direct contact. I'm inherently suspicious of projective testing and that kind of thing. For selection I don't know at the moment of tests that can tell me, in a way I can believe, how a man's going to be in action.

In finding persons for our management organization, we've done a lot of inquiring. We've looked into the possibility of appealing to social scientists for help, and to a number of psychologists who work on this kind of thing. To date, we've ended up doing it ourselves. Aware that we could be making a botch of it, we try to describe to a candidate what we're doing. We try to understand him as best we can in a number of direct interviews, and then we just take a chance. We've made some mistakes, and we've found some fellows that have worked out very well.

We've been doing the hiring together. I have friends who say this is a hell of a process. They say you compound all the errors of everybody. But I think our batting average has been good on making a very careful scrutiny of the man and having the whole organization meet him to try to figure out whether they like him and think he's competent. I think our successes have been greater than our failures.

There's the problem of selection and appraisal of new men, and then there's the problem of performance evaluation in the organization. That's another story, but I don't want to hold you all up.

Q: Does anyone want him to go ahead and talk about it? I think he should.

A: Well, all right. We've fired men. We've downgraded men. We've upgraded men. And we've transplanted men and reshaped functions. We've pulled some real boners. But by and large, I think we've found some effective methods.

Now this is a sophisticated process, and I'm not trying to tell myself or anyone else that it isn't. In industry we're so accustomed to not admitting that feelings are a fact. Yet feelings are as much a fact as the mixture we put in our iron. When you reach the stage where you have the capacity to accept plain, ordinary feeling and to deal with it, then you get at a lot of things that used to cause problems. Whenever it's possible to recognize that human facts are just as clearly relevant in a work situation as accountants' facts and engineers' facts, and whenever (this will be a great day) the engineers and the accountants begin to admit this too, then you reach the stage where you can really accomplish something. In such an atmosphere if a man isn't doing a job, you can talk about the fact and he can talk about it. To the extent that people in an organization can become really expressive about what they're trying to do, what they think and see and feel, performance appraisal can become a two-way integrating process rather than a top-down evaluation.

Q: I wonder if you could tell us the effect these patterns of management have had on union-management relations?

A: Well, we don't have a union. We haven't had one since 1947. We had the Farm Equipment Workers C. I. O. at the time and had a bad strike.

Q: I presume they've tried to organize since? Have your methods helped withstand unionization?

A: I don't think they have. I don't know. I'd like to say that I sure hope this line of inquiry doesn't start management thinking about it because it may appear that here's the way to keep the union off. I don't know if it does or not. But I don't think it matters whether it does or not, because I think, as Dr. Ohmann said, the union surely has a place. And one of the reasons that it's got as much place as it has is that management hasn't been in that place. Conceivably we might be able to bring this kind of give-and-take I've been discussing into the shop and get rid of the piecework system and the methods card. If we ever arrived at the point where men in the shop have a chance to do some of the planning and get their brains to work on some of the problems, this might eliminate the need for a rigidly structured union. But I'm not so sure that management can or should ever try to assume the function of doing everything.



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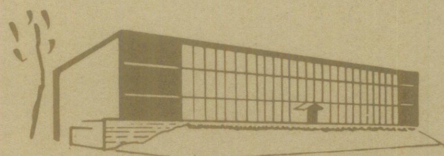
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