

THE COMPETITION FOR LEADERSHIP  
IN A WELFARE ECONOMY

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This talk has its immediate origins in a powerful and potentially convincing set of circumstances, of imperative concern to our national life. First in this set of circumstances is the constant and merciless pressure of totalitarian communism; second is the continued emphasis, by political leaders, of the people's dependence upon the generosity of a strong central government; third is the advocacy of a further extension of socialistic collectivism by a few, but highly influential, leaders of organized labor. Other circumstances of importance in shaping the nature of our national environment are the outspoken support given to the spread of unionism by representatives of one of our great and respected religious organizations, and the profound belief of many of our authoritative academic friends that "management" should encourage the growth and help raise the prestige of labor organizations.

The impact and the implications of this set of vital circumstances demand the most serious scrutiny, analysis

and action by those who have any claim to business leadership, and certainly by those of us who serve as their advisers for personnel administration.

This talk is the result of some soul searching and researching by one humble student of employment relations. In the past two months he has retraced some steps, covered some new territory, and tapped the minds of many friends and colleagues with diverse backgrounds and in varied occupations. He is indebted to them for much light and, from some of them, plenty of heat.

He has taken a look to the left, to the center, to the right. He will try to reproduce the process and reveal where he came out.

In the first place, let's try to see the entire United States of America in one look. It is quite an experience. Although we are inclined to take it for granted, it is really something amazing and stupendous. Here in this land of ours, from the Atlantic to the Pacific, are all the differences and diversities of race, religion, politics, economics and geography that are given as the reasons why the countries of western Europe have never been able to unite. And yet, instead of flying apart into several nationalistic pieces, we have held together through wars and peace, and gained in united strength, power and prestige. The panorama may have at times seemed bewildering and confusing, but the explanation of this greatest of all

human achievements is fairly simple.

As the people who settled and developed this country reached its shores, they celebrated their individual independence from oppression and autocratic domination in every form. They were bound together by a passionate love for freedom and opportunity. That used to be "the promise of America" - the great American dream. It was the mightiest of all dreams even though disturbed by an occasional nightmare.

Among the nightmares that have disturbed the American dream are the bloody conflicts that marked the spread of the industrial revolution across the United States. These conflicts were between leaders who wanted to be free to exploit human resources as well as physical resources, and men who revolted against unilateral repeal of their rights as human beings.

When the government entered these conflicts as a sort of referee, it was usually on the side of the leaders of business who were firmly in the driver's seat during the early decades of industrialization.

Also early in the twentieth century there emerged a few business leaders who believed and demonstrated that it was both nice and profitable to treat their employees like human beings. Their results were sufficiently impressive to arouse the interest and even the envy of some countries of western Europe and Australia who sent missions here to

investigate. But most business leaders continued to either ignore or ridicule the enlightened example set by the few.

Then came the great depression. At that point in our national history the leaders of government, who took over the driver's seat, might have made an objective analysis of cause and effect, taken a long range view, instituted some necessary but balanced reforms, led a crusade for renewed faith in basic moral concepts, and licked the depression without sacrificing the philosophy and the principles upon which this nation was founded and became great in spite of the weaknesses of man.

Instead, they chose forcefully and uncereemoniously to heave business leaders generally into the far corners of the dog house, import some philosophies and methods of doubtful merit in the long range interests of all the people, used by countries from which their ancestors had fled, and let a new set of leaders occupy the driver's seat. Many of these leaders proceeded to abuse their newly acquired power, disregard the public interest, and heap upon their heads the condemnation of the American people.

For a while it seemed as though a reasonable balance was being struck between major contending and sometimes conflicting interests. But when the smoke of last November's election had cleared away there was revealed a renewal of the political alliance between labor leaders and the federal administration, a rededication to the policy of achieving

the more abundant life through more taxes, more spending, more controls and less liberty, and a clear declaration that government should stand for the welfare of the people.

This declaration is a far cry from the American idea of government as the servant of the people and a guarantor of equality of opportunity. Under the further implementation of this declaration the people will grow weaker and the government stronger. The extent to which the American people have already succumbed to the anesthesia of government paternalism is indicated by the sigh of relief that is heard across the land when the people of other countries elect nothing worse than a socialist or a labor government.

Not to be outdone by the government, some leaders of organized labor have moved again into the center of the act. This time they offer a program for "coordinated Democratic industrial planning" which is supposed to be some place between American capitalism and European socialism. To one impartial observer the proposal looks "about as revolutionary as ever has been seriously made to change the relationship of the owners, managers and workers of industry." To some of us who were associated with the Office of Production Management during the war it appears to be a revival of the effort then seriously made by a prominent labor leader to restrict the freedom, authority and effectiveness of executive decisions in all functions of general management - not only

that of personnel administration.

But that isn't all. Some additional leaders of organized labor have entered the field for bigger and better benefits, preferably on an industry-wide basis, so that workers will feel a greater degree of dependence upon the union for their welfare.

So, in the year 1949, we find big government which distributes pay checks to 14,000,000 people. . . and big labor with its 15,000,000 members. . . competing with each other to be the benefactors of the American people by distributing a variety of packages, enticingly wrapped and labeled "Security", but which may contain a time bomb that will blow up in our faces provided we are still strong enough to be holding the package when it blows up.

Now it seems to me that the stage is all set and it is high time for the business leaders of the United States to get back into the act and enter this competition in a big way for the greatest of all stakes. Does any one think that I am about to advocate entering this competition for leadership in a welfare economy by striving to outbid the two other major competitors in promising to provide bigger and better material values? If so, perish the thought. Quite the contrary. I want them to lead off from a foundation of imperishable fundamentals of the human spirit.

For half a generation now, leaders of government and leaders of organized labor have been appealing to the

weaknesses in man. . . fear, greed, laziness and self pity. I want the leaders of business to base their platform on an appeal to the strengths in man. . . courage, enterprise, industry and self respect.

I want the leaders of business, individually and through their numerous associations across the country, to enter this competition - not against the government, not against organized labor, but for the proposition that everyone of the millions of people on their payrolls is entitled to be treated like a human being.

That's quite a proposition. But at this stage in the competition there is no use even trying to settle for less. It means, on a national scale, to cite only one of several good examples, the sort of action that has been taken for several years by the Merchants & Manufacturers Association of Los Angeles.

How is it done, and what are the chances of success in the long range interests of all the people and the survival of this nation as a democracy? Well, the time is short, but there's still a fighting chance. At the disposal of individual business leaders, for use in this intense and dramatic competition, is the American Code of Personnel Administration. That code has stood the tests of troublous times and varied conditions, and stands today as the last bulwark of defense anywhere against socialistic collectivism and totalitarian communism.

Times does not permit elaboration of the contents of this code, but here is an outline of its sixteen major parts:

1. The practice of high standards of character and morality so that the institution stands as a source of inspiration which endows all other personnel practices with qualities of honesty and integrity. This practice helps everyone on the payroll keep his chin up even when the going gets tough.
2. Provide everyone on the payroll with a written statement of principles of personnel administration, consistent with the philosophy upon which our nation was founded, and act on those principles courageously in every situation.
3. Good leadership, motivated by high standards of administration rather than by expediency and exploitation. There are volumes of testimony and some scientific data to support the conclusion that the greatest single factor in the productivity of the individual is his mental attitude toward his boss.
4. Organization concept and structure consistent with long-established standards affecting authority, responsibility, planning,

coordination, control and channels of communication. Developing a personnel program without a sound organization structure is like putting frosting on a poor piece of cake.

5. The designation of a well qualified person in the highest level of general management to specialize in solving the problems of people, and to see to it that all the practices of the code are made effective. This person should be selected according to standards of personal and technical competence no less than those required of other important members of general management.
6. The practice of satisfying the desire for participation, by means of consultation and explanation, both up and down, through all echelons of organization. If one were forced, under pain of severe punishment, to express the essence of sound personnel administration in just two words, those words would be "Consultation" and "Explanation."
7. The practice of keeping everyone on the payroll informed on all matters affecting their interests.
8. Encouraging freedom of expression of points of view and attitudes without fear of reprisals.
9. A total work environment that appeals to the

self respect and dignity of the individual.

10. Sympathetic consideration of people's trials and tribulations, particularly supervisors who too often are not given time or the place to go to air their gripes.
11. Steadiness and certainty of employment. It is the psychological rather than the financial aspect of this practice that justifies its inclusion here.
12. A plan of promotional opportunity. This practice is not fulfilled merely by the statement of a policy of promotion from within. People like to have the answer to the questions "Where do I go from here?", and, "By what route?"
13. Equitable wage and salary structures that recognize differences in job and position requirements, as measured by such factors as knowledge, skill, difficulty and responsibility.
14. A training program designed to help everyone perform, in the best known ways, the tasks that are assigned for the attainment of stated objectives.
15. Recognition, particularly through individual evaluation, so that it may be said to each person

on the payroll. . .He is prepared with what to go where.

16. A spirit of friendliness which is the essence of all good human relations and which should be diffused throughout the organization like the sunlight that pierces the clouds or casts a pattern of light and shade through the woods in autumn time.

There is no reference in this code either to absolute wages or benefit plans. The reason is this. Not only does the source of sound personnel administration reside in the conscience of leaders, but it is concerned primarily with the spirit and hearts of people. Those are qualitative factors. History offers no evidence that quantitative methods and rewards have ever provided the solution to qualitative problems.

This code is simple, it is inexpensive in all but time and perseverance, and it works. It is being used with amazingly satisfactory results by many progressive and genuinely successful companies. Among the companies in the United States which are the best financial risks, which have unbroken records of dividend payments, which have the minimum of difficulty in recruiting and retaining high quality personnel at all levels, which have the best reputations in the field of human relations and which have the longest and best

records of industrial peace, are those who have put this code to use.

Why so much confidence in the results to be achieved in the competition for leadership in a welfare economy by the conscientious application of this code? One important reason is that no one dares oppose it! Another is that the record still appears to support the conclusion that Americans prefer the American Code of Personnel Administration to unionism. Here are some old and new excerpts from that record.

From Hollywood in the 1930s: "The directors, however, retained their old habits of revising manuscripts and, despite the fact that many of the writers were very able, continued to treat the authors as though they were hacks." "The free lance actors contributed their time and money to the guild because they felt that through it they gained dignity and independence. They had rebelled against the paternalism of the Academy."

From an AFL leader in San Francisco in March 1940: "I think I have said at both of the previous meetings that I have attended here at Stanford that there would be no need for labor unions if there were no dissatisfied workers; that dissatisfaction among employes is the germ which creates labor organizations. I said then and I repeat again, that if employers as a whole treated their employes half as well as they want the public to believe they treat them, we would

have a fearful job organizing employes into trade unions."

In January 1941, from a fine, young AFL business agent who helped organize a General Foods plant on the west coast: "If there had been good industrial relations in your plant, I do not think the employes would have joined ours or any union."

Early in 1942 from the organizers of the Steel Workers Union: "One of the compelling motives for union membership is the desire of workers to give their personalities dignity and their lives a meaning. They join unions to become something more than a check number. They crave to be recognized as human beings. The dynamic quality, the militancy and the crusading spirit of the labor movement, especially of CIO in the last decade, were nurtured by the failure of management to satisfy the non-economic needs of the workers."

From a steel city in Pennsylvania in April 1947: "Management hasn't got enough understanding of working people and their problems. Businessmen keep thinking of labor as a commodity instead of human beings. The reason people join unions is because they feel that the boss won't pay any real attention to the welfare of the workers if left to himself. He's got to be forced to do things."

From a small town in the midwest, July 1947: "Our chief engineer was for some years business agent for the engineers' union in Omaha. He said if management would pursue modern personnel policies, most of the strife between

industry and labor would never occur."

In January 1948, from a union officer in New England: "It was the memory of past abuses and the constantly fostered fear that the employers would seize upon even the slightest opportunity to force laboring men back to filthy shops and starvation wages which was the great uniting and driving force of the militant XYZ union."

In March 1948, from a CIO leader on the Pacific waterfront: "Do we develop, agitate, educate or propagandize our men to be more loyal to the union than to the employer? You bet we do. No matter what happens in these proceedings we will never do otherwise. It is our union policy and an official policy - that they can't trust an employer; that if they depend upon an employer for any type of security or fair treatment, they'll get stung. And that is what we tell them; that their security comes through the union; and that their living comes through the union."

From a small industrial town in New Jersey, May 1948: "The union believed that the company's pre-unionization paternalism still existed to some extent. The comprehensive personnel program created a fear in the minds of the union leaders that the net effect of the program would be to reduce the employees' interest in and loyalty to the union." "Developing a sense of solidarity would probably remain the principal concern of local union leaders. But they recognize that the workers' chief interests are in his personal and job situations."

In July 1948, from the editor of the CIO News:  
"Workers do not form unions for the sake of having organizations that they can call their own. They form unions because they have learned, often through bitter experience, that they must pool their energies and act collectively if they are to achieve satisfactory or near-satisfactory solutions to their problems in human relations which so often plague them."

From the New York waterfront as recently reported in the New York Sun: "Five hundred men fought one another like animals for a hundred brass checks and a half day's work. That's your shape-up in New York, the greatest port in the world, and this is the twentieth century. It is difficult to get from the New York Shipping Association, representing the employers, any real information about work practices and general conditions on the docks. They are reluctant to talk."

Again, back in Hollywood in December 1948, from a high salaried movie star: "In the future I shall gladly work for less if by so doing I can retain my claim upon the common decencies without which the most glorified job becomes intolerable, but with which the most humble can be carried out with dignity."

These and countless other excerpts from the record keep telling us over and over again that in the hearts of American workers, unionism is second best.

It would seem then to make pretty good executive sense

to appeal to the buyers' interest in employment relations as well as customer relations, and put every ounce of sales promotion and performance into the campaign to satisfy that interest.

Now, let's make a couple of important items unmistakably clear. First, sound personnel administration is neither advocated nor practiced for the purpose of thwarting the growth of unionism. Second, there is not the slightest degree of incompatibility between sound personnel administration and collective bargaining through the chosen representatives of employees.

Quite the contrary. The record clearly shows that collective action helps to achieve and maintain many of the objectives of sound personnel administration. Far from detracting from the magnitude and importance of the personnel function, the process of collective action adds to both by revealing defects in organization and administration, and increasing the incentives for constructive action. Also, let's be reminded that everyone on the payroll, from the chairman to the charwoman, is entitled to be treated like a human being. The American Code of Personnel Administration is designed to serve that end, and there are some sound personnel policies and a lot of people on the payroll whose interests are not served by collective bargaining.

When employees do decide to deal with management through their chosen representatives, it is the essence of good

leadership to accept the decision graciously, recognize that something new and different has been added to the normal methods of administration, and intensify your efforts, with the help and advice of these representatives, to foster better employment relations. By pursuing that course with patience and perseverance you may expect, in time, to achieve the mutually satisfying results revealed in the following excerpts from a letter of January 17, 1949, received by one of our managers from the union negotiating committee:

"As the time for renewing our contract approaches we take this opportunity to acquaint you with a few items we would like to discuss. But first, let us express our thanks to the Company for the generous gesture made when, with no request from us, they raised our wages at the time the new job evaluation scheme was put into effect. The knowledge that this could have been withheld until our contract was renegotiated helped to strengthen still further the mutual goodwill and understanding which we have so long enjoyed. So, at this time, with the markets levelling off we are making no wage claims and feel sure that, should our optimism regarding prices be unfounded, you will, as in past years, be ready to discuss it with us. . . . That covers all we have in mind at this time and we trust that our negotiations will be carried through in the same spirit of harmony and goodwill that has prevailed in all our previous meetings."

The countless experiences of many companies provide

similar and more spectacular demonstrations to prove beyond a shadows of a doubt that, through the conscientious use of the American Code of Personnel Administration, you can't lose. But, mark you well, there are no short cuts.

Seeing to it that people on the payroll are treated like human beings at the places where they work calls for the highest qualities of executive leadership, administrative intelligence and eternal vigilance. Broadcasting the virtues of the American way of life through loud speakers and billboards as a means of competing for leadership in a welfare economy is like fighting a conflagration with a garden hose.

No - if the leaders of business are going to enter this competition for the greatest stakes in history, they must demonstrate by daily deeds at the places where people work, their belief in the philosophy and principles of the Declaration of Independence and the Bill of Rights. Through those sacred instruments and their implementation we established a land of freedom.

To anyone willing to grit his teeth and look reality squarely in the eye, it should be crystal clear by now that for the past decade our country has been getting by on the momentum of the freedom we inherited. Refilling the reservoirs of freedom is the supreme and critical issue of our time, because in population, size, resources, leadership and a passion for industrialization, the United States of America has finally met its match in the U.S.S.R. Our

decisive advantage in that competition is the power of freedom. The leaders of American business have within their control the chance of replenishing that power because in this country conversion to the doctrine of totalitarianism starts at the places where people work, as a result of the way they are treated by their bosses at all levels of human organization.

Are there still among you some who doubt the validity of my findings? Well, I'll offer one more piece of supporting testimony.

This testimony comes from a native-born American who, as a youngster, dedicated his life to the class struggle. He was an artist, a poet, an editor, a migratory worker, an agitator, a socialist, a communist, one of the foremost leaders of the Industrial Workers of the World. For his beliefs in the class struggle he was beaten by the goon squads of employers, served four years in Leavenworth, and faced union goon squads on the Pacific waterfront. At the end of that trail, Ralph Chaplin in his book entitled, "Wobbly", has this to ask and to say:

"How were we to know that out of our 'social revolution' would arise a new ruling class just as arrogant, just as merciless and just as predatory as its predecessor?"

"How were we to know that in the socialist millenium we were merely to exchange bosses and that our 'emanicipation' would mean, not the end of the exploitation of man by man,

but the beginning of exploitation of man by the state?"

"How were we to know in 1918 that the glow in the eastern skies which so many of us greeted as the Red Dawn was in reality the funeral pyre of freedom?"

"Some one smarter than I", says Chaplin, "will have to come up with the ultimate answers. But what I have in mind is a revitalized American ideology, one that would enable the Sermon on the Mount and the Bill of Rights to do more than hold their own in competition with Das Kapital and the Communist Manifesto. It would make our America physically, ideologically and morally the most dynamic of all nations."

Mr. Appley, ladies and gentlemen, I rest my case. Business leaders of the past and present have made great and enduring contributions to the welfare and the glory of this nation. They have never yet failed the American people in a national emergency. By vigorously and courageously entering this competition for leadership in a welfare economy for the proposition that everyone on their payrolls is entitled to be treated like a human being, they have it within their power to refill the reservoirs of freedom upon which depends the survival of our inalienable rights to life, liberty and the pursuit of happiness.

God grant that they may arise to this supreme emergency, may be truly worthy of their hire, that it may be inscribed of them in the great book. . . this was "their finest hour."