

Productivity
(1975 folder)

JUST ANOTHER DAY

A PRESENTATION BY
JOHN A. PATTON

**Certificate
For Excellence**

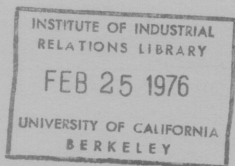
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"Only John A. Patton who has enjoyed a long record of success and achievement in his relationships with government, labor and management could get away with such completely candid criticism of all three. And, . . . to top it off he offers some sound advice, beginning with the industrial engineer, for dealing with our complicated productivity problem."

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**JOHN A. PATTON
PRESIDENT**

Patton Consultants

JUST ANOTHER DAY

✓ PRESENTATION ~~BY JOHN A. PATTON~~ TO THE
✓ ANNUAL CONVENTION OF THE AMERICAN INSTITUTE OF
INDUSTRIAL ENGINEERS,
IN WASHINGTON, D.C., MAY 22, 1975.

INTRODUCTION

I am sure that by the time I finish here today no one will accuse me of trying to win a popularity contest by telling you all the pleasantries you would like to hear. In fact, -- many of you may resent what I have to say. I didn't come here today to relate to you all the niceties of the business world, or to conduct a training course in protocol.

I have been very disturbed over the past 30 years that a big part of the problem of many managements and we in the industrial engineering field is the fact that we haven't got the courage to face unpleasant facts or decisions. Sometimes I think we read too many books and attend too many lectures.

I would like to tell you about the things I have learned and things I couldn't talk about 30 years ago. Which reminds me of the little boy who came home from Sunday school, and his Grandma asked, "What did you learn today?" "Well," he replied, "the teacher told us how Moses led the people of Israel out of the wilderness. When they came to the Red Sea, he had the Corps of Engineers make a pontoon bridge so they could cross over. Then he got on his walkie-talkie and ordered the heavy bombers in to blow up the bridge and all the Egyptians were drowned." Grandma said, "Johnny, is that really what your teacher said?" "No," said the little boy, "but if I told you what she really said you wouldn't believe it anyhow."

The time has come for this country to face up to the fact that we must accelerate our efforts to do something positive about our lagging productivity. We as industrial engineers, by virtue of our training and orientation, should be pointing the direction and leading the way.

Today we are in a time of great confusion in this country with few forward looking government or management improvement programs underway. Public attitudes toward work and productivity are uncertain. They rank high in our scale of values, yet at the same time the very use of the term productivity brings to mind visions of the "speed-up." There is a very weak link in our public consciousness between increased productivity and the personal gains that can result, and for the most part, management is not aware of this discrepancy. We seem oblivious to the fact that real income per person after taxes has **doubled in the last generation and quadrupled in this century because of continuing gains in productivity.** More importantly we fail to appreciate that an increasing rate of productivity is vital to combating inflation, improving the quality of life, and maintaining our standard of living through broad social programs for **all** our citizens. The affluent society which we had come to take for granted, now to many, seems to be slipping away. I sincerely feel we have lost our will and desire to compete, perhaps to survive. If I can't stimulate you to action and convince you to go out and do something about it, **tomorrow will be just another day.**

I feel we should ask ourselves. . .

WHAT HAS MADE . . . OUR AFFLUENT SOCIETY POSSIBLE

Ben Wattenberg argues convincingly in his book **The Real America** that in the last 15 years in this country statistics show that there was great and healthy change on almost every measurable front. For example:

- Social and economic conditions for blacks in America improved sharply.
- Real purchasing power, after taxes and inflation, increased substantially.
- Educational levels have soared.
- The social and economic independence of women has reached unprecedented levels.

Here are some undeniable facts that Wattenberg came up with:

- The average work week for production and non-supervisory workers is 37 hours. In 1900 it was 60 hours.
- For the American worker an average of about three weeks vacation have been added in the last 20 years. Ten paid holidays have become standard.
- 80% of American families have one or more cars, while 30% have two or more cars. Two car families have doubled in the past 10 years.
- Nearly one-third of the households are now air conditioned; three times as many as 10 years ago.
- The unskilled worker and the domestic servant have virtually disappeared from the American scene.

All these outpourings from the horn of plenty are the result of the fact that over a 25 year period our productivity rate had been rising at an average of better than 3% a year. Certainly there is an excellent case in point that **we have never had it so good**. This brings me to a very important conclusion. **Our primary problem today is not inflation, not pollution, not racism, not foreign competition, not the energy crisis, not the generation gap, it is the fact that our standard of living has increased so fast we have become fat, spoiled and lazy. I repeat,-- fat, spoiled and lazy.** Yet in spite of the fact that people have more, they want still more. Poor people watch television and see how more affluent people live and new needs are created with all the immediacy of a string of exploding firecrackers.

The recent history of our productivity gains is a cause of grave con-

cern to me. Since 1970 we have effectively become a **no-growth** nation. Yet in the last decade our foreign trade partners were registering huge gains. Japan chalked up an astounding 12% annual increase while Common Market countries ran to around 6% . In this period, among the 11 leading industrial nations of the non-Communist world, **we ranked at the bottom in productivity improvement.** Let me say that again, -- **we ranked at the bottom in productivity improvement.**

Now we must ask what about the economic background of. . .

OUR NATIONAL PRODUCTIVITY PROBLEM

The intensive international competition we see in the world market places today, coupled with shortages of many basic materials, should alert us to the fact that we simply cannot afford a burden of waste, inefficiency and low productivity. If we are to effectively use men, money, machines and materials, we must have the cooperation of government, labor and management to work toward **common rather than individual and often conflicting goals.** I like to call this interdependency between government, labor and management a three legged stool. As you are aware a three legged stool can accommodate some pretty rough terrain and still find a solid footing. Our problem in this country is that the bonding glue has deteriorated and the three legs of the stool have gotten loose and wobbly.

It is painfully obvious to me that government, labor and management in their blind devotion to self service and self indulgence over the past few years have spawned the chaotic condition of inflation, recession and the energy crunch which we see today.

I have not been able to find any two economists in this country who can agree on anything beyond what day of the week it is. They remind me of a quotation attributed to J.P. Morgan. When asked about the future course of the stock market, he liked to reply, "It will either go up, or go down." To further illustrate my point, 46 prominent economists were asked in 1973 whether we could expect a recession in 1974. By a vote of 3 to 1 they gave us a flat no. I say we need to get down to earth and come up with a solution to the real problem - **increasing our productivity in terms of manpower and machinery effectiveness.**

We've got to understand the fact that if we are going to have more we've got to produce more, -- it is as simple as that. We must include productivity in our national system of priorities and establish an organization which will enable us to mount a frontal attack on this fundamental problem. I refer of course to a National Productivity Center. I have had the opportunity to review in detail the testimony of Jack Jericho, our executive director, before the Senate Government Operations Committee last December. Believe me, Jack stated the case for a National Center for Productivity as eloquently and as persuasively as any person could. He has earned and deserves our enthusiastic, 100% support.

Now let's look for a moment at some of the things that are actually being done to inhibit productivity gains by the individual legs of the stool comprised of. . .

GOVERNMENT, LABOR AND MANAGEMENT.

First, let's focus our attention on...

(A) **Government.** Today federal, state, and local governments employ nearly 13 million people. This adds up to about one out of every five people in our total work force. The managers of these employees have little incentive to increase productivity. Why? Because the status and grade of a manager are based on the size of his budget and the number of staff under him rather than on his performance. **I defy anyone to design a more counter-productive system.**

Here are some shocking examples which result when Government goes into business.

- A private power company generating plant built at the same time and with about the same capacity as one operated by the Tennessee Valley Authority is run by about 135 people. The Tennessee Valley Authority needs more than 450.
- It costs 21% less to insure and ship a 10 pound parcel from my home in Deerfield, Illinois to Washington, D.C. via a private commercial carrier than it does to use the U.S. Parcel Post, and I can expect 2-3 days faster service.
- I can make a 3 minute call from my home to Washington, D.C. for 16% less than I could 25 years ago. Yet over that same period of time the cost to mail a first class letter has gone up 233%.

And still our U.S. attorneys are investigating AT&T for restraint of trade. I say, they should ask AT&T to run the Post Office instead.

I have to ask you, when was the last time you heard of a government agency or program going into bankruptcy because of poor planning, mismanagement, inefficiency, or lack of adequate goals and standards? **Ineffective agencies not only survive but often flourish.**

Now in perspective let us look at. . .

(B) **Organized Labor.** Labor bought its ticket from Franklin D. Roosevelt and still hasn't cashed it in. Organized labor has to share the responsibility for our productivity problems, too. More than a third of a century elapsed between the introduction of the diesel engine, which eliminated the need for a fireman to stoke coal, and the time the Brotherhood of Locomotive Firemen and Engineers finally agreed to eliminate the job of the fireman. Then, of course,

only on the basis of attrition. High absenteeism, turnover, and jurisdictional strikes take a heavy toll in reducing productivity. Virtually every segment of our industry is replete with the practice of featherbedding and work slowdowns. These include the practice of carpenters who will not install prehung doors or sash; painters who limit the size of paint brushes or rollers to be used; plumbers who cut off prethreaded pipe and rethread it on the job; electricians who require a skilled craftsman to install a new lightbulb; and the rigid insistence of recognition of seniority alone regardless of skill level; restricting duties; prohibiting labor saving machines; excessive non-productive time; and on and on.

By far the biggest portion of our national income is devoted to compensation of employees. Yet labor has consistently pressed ahead for higher and higher wages with little concern for productivity. Twenty-five years ago 64% of our national income consisted of employee compensation. This share has now risen to 75%. During this same time period the productivity of labor levelled off and finally reached a state of zero growth. The goose that lays the golden eggs continues to get squeezed. I say, -- **labor must assume their just responsibility.**

I see that labor unions in Illinois are now pushing to make strikers eligible for jobless pay. Their plan, in some instances, would lift strikers benefits above normal take home pay. I think you will agree that the incentive to get and hold a job must be radically changed. A recent survey by Opinion Research Corporation found that 61% of the union members polled agreed with the statement, "Wages paid in this country make it difficult for the U.S. to compete in world markets." **Labor must come to grips with the unpleasant fact that increases in wages can only be justified by increases in productivity.** I feel I am qualified to make this statement because of our unusual acceptance by and the work we have done with organized labor through the years.

Now let us look at the profile of. . .

(C) **Management.** Management must share the responsibility for our productivity problems too. They have not accepted the fact that organized labor is here to stay and at the same time have created an enormous credibility gap between themselves and the work force because:

- They don't have the courage to demand what they should be getting in terms of a fair day's work.
- They don't convince the workers they have their best interests at heart and care about them.
- They do little to solicit ideas from the workers for economy or improvement.

- They do not place a high priority on quality and workers are bothered by it.
- They do not look at their own attitudes and actions when they complain about absenteeism, turnover and low productivity.
- They forget or disregard the workers need for security, mobility and dignity.
- They do not appreciate that if wages are earned, low wages do not necessarily mean low costs.
- They procrastinate and are unwilling to take a stand or make unpopular decisions.
- They do little about bringing about cost reductions until competition forces them into it.

More importantly, management continually exhibits a perverse reluctance to use proven tools that are available to them. Sixty percent of industry today does not have standards of productivity. The September 1973 issue of **Industrial Engineering** carried an article by Mitchell Fein, entitled "Work Measurement and Wage Incentives." In the article Fein tells of a survey to show the relationship of incentives to productivity. The study indicates that changing from no work measurement standards to an incentive system increases productivity by an average of 51.5% , and our experience substantiates this finding. Yet only 26% of industrial companies are utilizing incentives today.

Management has a boundless capacity for doing weird things. For example, it spends millions and millions of dollars on sophisticated production equipment; and yet in three out of five companies that we go into, there isn't even a record of machine down time, and there is no formal preventive maintenance program. Furthermore, it does a deplorable job of communicating its aims and objectives. **In 30 years** we have never been in a company where the foremen felt the communications with management were good. **Frankly there is too much communicating about communication with too little action.**

Believe it or not, management operates affirmatively in many cases to stifle imagination and innovation within its own ranks. In many companies that my firm has served, the cost reduction procedures that we implemented had already been suggested to management by their own industrial engineers. Why won't management listen to their own people? I must confess I don't have the answer to that one.

I had the opportunity to attend one of President Ford's mini-summit conferences on inflation which was held in Pittsburgh last Fall. I listened to the presidents of 50 of this country's largest corporations discuss the causes of our inflationary spiral. It was of interest to me that out of all those men only 5 seriously felt that productivity was the

core cause of our inflationary problem. Now I can fully appreciate that there are important factors such as the size of the tax burden, the money supply, interest rates, credit controls and others which have great impact on our economy, **but what actually scares me, is that most of these men were unable to clearly differentiate between the cause and effect aspect of the problem and its outward symptoms.**

In addition to our advances in packaging, marketing, advertising and distribution, there is **one subtle change** we've been able to bring about that has gone largely unnoticed and that is: We've succeeded in downgrading the first line supervisor or foreman to a puppet, a mere shadow of what he once was. It continues to mystify me as to why management is so blind on this point. Recently I had the opportunity to talk before the presidents' conference of one of our national manufacturing associations and I raised the question as to how many of those present felt that their first line supervisor was a part of management. More than 80% raised their hands. I then asked how many of the companies represented give their supervisors a pay raise when the union had obtained an increase for the bargaining unit. About the same number were embarrassed to raise their hands. Obviously, procedures such as this do little to make the supervisor feel he is, in fact, a part of management. Let me illustrate my point another way. As reported in the **Harvard Business Review** a recent survey showed that of our country's top 100 industrial companies, 81 use cash bonus systems as incentives to executives and 73 of these 81 companies also use some other form of incentive to supplement cash payments. Obviously there is wide spread acceptance of the incentive principle. However, in a recent survey of 5300 companies which we conducted, 93% of the respondents reported that they consider first line supervisors a part of management; **yet amazingly only 16% of these same companies employ any form of supervisory incentive.** This was all the more perplexing to me since we have found that the first line supervisor holds the real key to increased productivity.

I think you will agree that our productivity crisis today is not entirely the fault of organized labor, even though the average stockholder does not realize that unions have more to say about day-to-day operations than management does in too many companies. It is not entirely the fault of our patronizing, interfering government which continually keeps extending its tentacles of red tape to throttle our free enterprise system. It is not the fault of the shifting attitudes of our younger generation, many of whom have rejected the materialism, work ethic, and institutional loyalties of their forebears. **The real fault lies squarely at the feet of management for not seizing the initiative to take remedial action.**

Now let's talk about. . .

THE CONSULTANT AND THE INDUSTRIAL ENGINEER

I have been quite critical of both management and management practices. I would like to take a few minutes to look at both the company industrial engineer and the consultant.

First let me give you some of my observations on management consultants. There are many, many good ones. However, I must say that there are all too many that are over certified, underqualified and afraid **to roll up their sleeves and get down to the nitty-gritty. Allow me to explain a little further. There is entirely too much advice giving, manual writing and recommending.** This may have been tolerated 15-20 years ago but today with both the fierce domestic and international competition crying for unit cost reduction we have got to provide what management needs, must have, and deserves -- **results! results! and more results!** Both consultants and industrial engineers alike have got to remember that the thing that separates the men from the boys in business is **implementation.** The boys see themselves as problem solvers. The men solve the problems and then **implement solutions to get results.**

Many of you were nodding your heads when I said that ultimately the fault for our productivity predicament lies squarely at the feet of management. I will go one step further and say that we industrial engineers, both the consultant and those of you in government and industry, are the **real culprits.** We are the individuals who in the final analysis must look at ourselves in the mirror and ask, where did we come up short; why have we permitted management to fail.

Now we must ask. . .

WHAT CAN BE DONE

If I seem to be overly cynical, I want you to believe that my only purpose is to spur government, labor, management and above all you the industrial engineer to action. You might very well ask, "Patton, if you're so astute what are some of the answers?" I don't claim to have **all** the answers but I do have a number of constructive suggestions. If I didn't, I'm afraid I've been taking money under false pretenses all these years. As industrial engineers we need to appreciate that:

One. . . We must first concentrate on selling ourselves and the fact that our programs represent an investment. It doesn't take an advanced degree in psychology to realize that the industrial engineer must be extremely persuasive, sincere and enthusiastic if he is to function with even minimum effectiveness with all the forces that are working against him.

Two. . . We must accept the fact that it is our responsibility to assemble and organize all the necessary facts related to the control of production costs and present these to management.

- Three. . . We must insist upon accountability standards for everyone from the janitor to the president. If there are policies of management that are costing the company money, it is our responsibility and duty to convince management to change them.
- Four. . . We must stop procrastinating -- face unpleasant tasks and decisions and turn disadvantages into advantages -- **evading a fact doesn't change it.**
- Five. . . We must accept the fact that organized labor is not going to give up easily what management has allowed it to get over the past 30 or 40 years. Labor did not gain its objectives through its own strength, but through the weakness and abdication of responsibility by management.
- Six. . . We must accept the fact that supervision has had to go through a metamorphosis -- they were poorly selected to begin with and generally they have been poorly trained. **They must be made to feel they are a part of management.**
- Seven. . . We must stop trying to impress the first line supervisor with our college degrees -- let him know we are aware of his problems, that we understand them and that we fully appreciate the fact that he knows his job better than we ever will.
- Eight. . . We must take the time and the trouble to recognize the necessity of getting supervision involved in the installation of work measurement programs convincing them of the fairness of the standards and their responsibility for maintaining them once they are installed.

And finally. . . if we are going to be effective in accomplishing our mission and objective in our field we have got to learn that we can only work our minor miracles through the efforts of others. We put too much emphasis on the tools of our trade forgetting that these are absolutely worthless without the active support and cooperation of the first line supervisor. We must take our satisfaction from having been the guiding force for beneficial change that moved managers at all levels to action.

And now in . . .
SUMMARY

Ladies and gentlemen I am afraid I have been somewhat harsh in my remarks about government, labor and management. I have tried to be as specific as possible to emphasize my concern. **This country has been good to me.** Our democratic way of life has given you and me

the highest standard of living in the world. We all cherish our democracy: however, **because it is a democracy we cannot function as our authoritarian neighbors do.** We cannot bring about necessary changes in our approach to increasing our national productivity, ---

unless. . . our Federal Government gets really interested in doing the job that should be done for the good of the country, and not just what is good in terms of winning votes. It must work objectively and cooperatively with both management and labor.

. unless. . . organized labor realizes that continued increases in wages and fringe benefits for their members can only come from increases in productivity. Union leaders must convince their members of the validity of this concept.

. unless. . . both labor and management agree upon common goals. Such agreement incidentally has been a key factor in Japan's success in increasing productivity.

. unless. . . managements realize that they have an obligation not only to their stockholders but to the consumers, their employees and the whole country as well.

I am gratified to see that some progress is being made through the efforts of companies and industries working unilaterally on their individual productivity problems, yet at the same time I can't get enthusiastic for these are piecemeal, fragmented and doomed to limited success at the very best. We need some strong indication of a desire for remedial action on the part of government, labor and management. We need to see positive evidence that there is a sincere willingness to put aside past prejudices, bureaucratic prerogatives, mutual suspicion and the colossal inertia that has anchored us on dead center. Perhaps what we need most is the determination to get started. Above all, we need a pledge of support and a commitment to action from the industrial engineers. We must have, **and now**, a national forum and an American Game Plan which will spell out the strategy and tactics of an organized assault on our lagging national productivity. Such a plan with timetables, goals and objectives can be formulated and actualized only at the highest level in the structure of our Federal Government, as Senator Nunn pointed out yesterday. Both management and labor as well as government should have strong voices in the articulation of our national plan for action. Also, both management and labor should contribute a share to the financial support of the Center. Simply stated, "put your money where your mouth is." As a colleague of mine is fond of saying, "People don't knock down walls when they have helped put in the bricks."

And now in . . .

CONCLUSION

I hope that you here today will aspire to be our leaders on the productivity front and are willing to accept the challenge and responsibility for exploring new avenues of thought and building the way into an uncertain future. You must seize the initiative for your generation. By your education and experience you are the "chosen ones." You can only fail by default. I hope you will create by action, word and deed, the new and responsible leadership image which this nation so badly needs.

We need to keep in mind that even the whisper of 23,000 Industrial Engineering voices in unison can become a mighty roar. If we do not provide the glue with which to bond our three legged stool together into a solid, cohesive, load bearing unit then you know where we will be sitting. If we don't go back home and do something about it, **tomorrow will be "just another day."**

THE FOLLOWING SERVICES ARE AVAILABLE TO MANAGEMENT:

- I. ORGANIZATION DEVELOPMENT...
 - Accountability
- II. PLANNING...
 - Short and Long Range
 - Management by Objectives
- III. JOB EVALUATION...
 - Hourly
 - Salary
- IV. SUPERVISORY INVENTORY ANALYSIS...
 - Inventory of Supervision
 - Results (work simplification)
 - Supervisory Incentives
- V. INDUSTRIAL ENGINEERING ASSESSMENT...
 - Organization
 - Policies and Procedures
 - Effectiveness
- VI. TRAINING...
 - Industrial Engineering
 - Time Study
 - Predetermined Times
 - Methods
- VII. METHODS...
 - Production
 - Office Procedures
- VIII. STANDARDS...
 - Production
 - Clerical
- IX. INCENTIVES...
 - Salary
 - Direct Labor
 - Indirect Labor
- X. COSTS...
 - Analysis
 - Standards
 - Control Procedures
- XI. MATERIALS MANAGEMENT
 - Procurement
 - Inventory Control
 - Production Control
 - Stores and Handling
- XII. MAINTENANCE MANAGEMENT...
 - Preventive Maintenance
 - Maintenance Management Controls
 - Maintenance Training
- XIII. PLANT LAYOUT...
- XIV. PLANT LOCATION...

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O'HARE LAKE OFFICE PLAZA

2200 E. DEVON AVENUE

DES PLAINES, ILL. 60018

1 TELEPHONE (312) 298-2660