

Chas.
W. F.

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4th Annual

SUMMER MANAGEMENT CONFERENCE

September 10-13, 1952,

*Yosemite National Park,
California.*

Institute of Industrial Relations (*Berkeley + L.A.*)
The Schools of Business Administration
Berkeley and Los Angeles
University Extension, University of California

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INSTITUTE OF
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SUMMER MANAGEMENT CONFERENCE,

September 10 - 13, 1952,

AHWAHNEE HOTEL,

YOSEMITE NATIONAL PARK.

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sponsored by

THE INSTITUTE OF INDUSTRIAL RELATIONS,

THE SCHOOLS OF BUSINESS ADMINISTRATION,
and

UNIVERSITY EXTENSION,

UNIVERSITY OF CALIFORNIA,
Berkeley and Los Angeles,

[Berkeley, Calif., 1952]

WELCOME TO THE FOURTH ANNUAL SUMMER MANAGEMENT CONFERENCE

We cordially welcome you to the Fourth Annual Summer Management Conference sponsored by the Institute of Industrial Relations, the Schools of Business Administration, and University Extension of the University of California at Berkeley and Los Angeles.

The Summer Management Conferences have proved to be a highly effective means of pooling the knowledge, ideas and experience of those directly concerned with the problems of industrial production. Although the University has taken the initiative in arranging these meetings, we think of them as a cooperative endeavor. We come here from business, from government and from the University to share experiences and views derived from a variety of backgrounds. After these few days we should all have a more complete understanding of the problems brought here for discussion.

As the central theme of this conference we have taken the important issue of increasing the productivity of our economy. This, of course, means increasing the productivity of each worker, each enterprise, each manager, in other words, of all of us. Looking at both the human and economic aspects of this problem, we shall come to appreciate that a large number of factors are involved in the question of productivity, not the least of which are the enormous resources given us by nature and contained in us as human beings. We shall think in terms of individuals and individual enterprises and also in terms of the economy as a whole.

In addition to this central theme of productivity, we shall have an opportunity to discuss a number of other important problems, including management's philosophy regarding economic controls, American foreign policy, and the general outlook in the field of industrial relations. We hope and believe that all will have a stimulating experience during these three days at Yosemite.

E. T. Grether

E. T. Grether, Dean, School of Business Administration, and Director, Institute of Industrial Relations, Northern Division

Neil Jacoby

Neil Jacoby, Dean, School of Business Administration, Southern Division,

Edgar L. Warren

Edgar L. Warren, Director, Institute of Industrial Relations, Southern Division

INTRODUCING OUR NEW CHANCELLORS

The past academic year saw the creation of two new offices in the University of California. Raymond B. Allen and Clark Kerr were elected Chancellor of the Los Angeles and Berkeley campuses respectively. Coincidentally, both came to the University of California from the University of Washington, but from widely different fields of endeavor.

Dr. Allen began his career as a physician, and shortly after began to assume administrative duties at various medical schools. He has an outstanding record of public service, having served as a member of the Committee on National Security Organization (the "Hoover Commission"); Director of Medical Services, Office of the Secretary of Defense; Chairman, Salary Stabilization Board; and has been serving as Director of the Psychological Strategy Board. Inaugurated President of the University of Washington in 1946, he administered that university through its period of greatest development, not only in number of students, but also in the diversity and quality of its offerings. He will assume his new office this fall.

Dr. Kerr came to the School of Business Administration, Berkeley campus, as Professor of Industrial Relations, in 1945, from the University of Washington. Within a year, when called upon to organize the Institute of Industrial Relations, he recruited a well-qualified staff, and directed a program of teaching, research, and public service, the success of which has been demonstrated by the cooperation of management and labor, the increasing use of the services of the Institute, and the reliance upon its findings and advice by labor unions and corporations. He has served as Commissioner, U.S. Conciliation Service; Vice-Chairman, Twelfth Regional War Labor Board; Consultant on Industrial Relations, Atomic Energy Commission; Vice-Chairman, National Wage Stabilization Board; and as an arbitrator, in addition to his teaching, research, and administrative duties.

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- A. F. SMITH, Manager of Industrial Relations, Shell Oil Company

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TILSON, R. J.	Pacific Gas & Electric Company	San Francisco
TISCH, Raymond H.	Nordstrom Valve Division, Rockwell Manufacturing Co.	Oakland
TURNER, A. M.	Owens - Illinois Glass Co.	San Francisco
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WYATT, Lowry	Gerber Products Co.	Oakland
YEAMANS, R. G.	North American Aviation, Inc.	Los Angeles

BIOGRAPHICAL NOTES

HENRY F. GRADY has established himself as a man of diversified abilities and interests, particularly in the business, governmental, and academic fields. He was Dean of the College of Commerce at the University of California 1928-37. In 1941 President Roosevelt appointed him personal representative on an assignment to make an economic survey of Far East countries supplying strategic defense materials. While President of the American President Lines he found time to accept positions as Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco (1944-47) and President of the San Francisco Chamber of Commerce (1945). More recently, he has served as Ambassador to Greece, India, and to Iran.

H. G. McCLELLAN has served the public interest in many and varied fields. An alumnus of Occidental College, he has continued his interest in education and currently is the President of the Board of Trustees of Occidental College and a member of the board of the Haynes Foundation. During World War II he served as an industry member on the Tenth Regional War Labor Board, and until recently was with the Regional Wage Stabilization Board. He is a member of the City Council of San Marino and of the Metropolitan Traffic and Transit Authority, Los Angeles. He has been on the board of the Los Angeles Chamber of Commerce and of the National Association of Manufacturers. At present he is President of the Old Colony Paint and Chemical Company.

DOUGLAS MCGREGOR started his career as a station attendant and district manager for a retail gasoline merchandising firm in Detroit 1926-30. He taught Psychology at Harvard and M.I.T., and was one of the founders of the Industrial Relations Section at M.I.T. in 1937. He was a consultant to the Dewey and Almy Chemical Co. - a firm which has been studied by the National Planning Association in its "Causes of Industrial Peace" series. He is well known as an expert in the psychological aspects of Industrial Relations, particularly as related to problems of leadership and line-staff relationships. He has been consultant to a number of eastern and midwestern firms. Since 1948 he has been President of Antioch College.

JUSTIN MILLER has displayed a multiplicity of interest and abilities, serving industry, government and the university. Former Dean of the School of Law at Duke University (after having taught Economics, History, Law, and English at other universities), he has also been an Associate Justice of the U.S. Court of Appeals, a member of the United States National Committee for UNESCO, and Chairman of the Board of Directors of Broadcast Music Inc. At present, he is Chairman, Salary Stabilization Board, and Chairman of the Board, National Association of Radio and Television Broadcasters.

EDWIN G. NOURSE is one of our best known American economists. Director of the Institute of Economics of the Brookings Institution (1929-42), he later became vice-President of the Brookings Institution (1942-46). He served on the League of Nations Committee on Nutrition (1935-37), and was President of the American Economic Association in 1942. He is perhaps best known for his work as Chairman of the Council of Economic Advisers, Executive Office of the President (1946-49). He is the author of numerous articles and books in the field of Economics.

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University of California, Berkeley

SCHEDULES

Wednesday, September 10

3:30 - 6:45 p.m. Registration

6:45 - 9:30 p.m. Dinner Meeting

Round Table Discussion: "Industry and the University"

E. T. Grether

Neil H. Jacoby

Clark Kerr

H. C. McClellan

Justin Miller

Edgar L. Warren

PROGRAM

Thursday, September 11

- 8:30 - 9:30 a.m. General Morning Session: Chairman: Edgar L. Warren
"Management's Philosophy Regarding Economic Controls."
Justin Miller
- 9:30 - 11:00 a.m. Class Sessions
"The Human Factors in Productivity, or Why Men Work."
Mason Haire and Douglas McGregor
"The Economics of Productivity." Philip Neff
- 11:00 - 12:30 p.m. Discussion Panel Sessions
"Economic Education for Employees"
Chairman: Neil Jacoby
Members: R. R. Blackburn
William K. Hopkins
R. G. Kenyon
"Incentives for Employees"
Chairman: Louis E. Davis
Members: E. E. Bellinger
Thomas L. Carroll
Lowry Wyatt
- 12:30 - 1:30 p.m. Luncheon Recess
- 1:30 - 3:30 p.m. Class Sessions
Repeat morning sessions of classes
- 3:30 - 6:45 p.m. Recreation
- 6:45 - 9:30 p.m. Dinner Meeting
"The Responsibility of Labor to the Community, State,
and Nation." Dave Beck

PROGRAM

Friday, September 12

8:30 - 10:30 a.m. Class Sessions

"The Human Factors in Productivity."

Douglas McGregor, Mason Haire, and panel composed of:

John W. Bristow

Vincent H. Brown

A. F. Smith

"The Economics of Productivity."

Philip Neff, and panel composed of:

Edward Feldman

Frank Melagrano

E. D. Starkweather

10:30 - 12:00 noon Discussion Panel Sessions

"The Individual and the Group"

Chairman: Abbott Kaplan

Members: G. D. Bradley

Dick Coleman

J. B. Petty

"Incentives for Management"

Chairman: William H. Smith

Members: Albert C. Beeson

Lloyd Blaney

Lowry Wyatt

12:00 - 2:00 p.m. Luncheon Session

"Foreign Policy and American Business."

Henry F. Grady

2:00 - 4:00 p.m. Class Sessions

Repeat morning sessions of classes (with panels)

"The Human Factors in Productivity." Douglas McGregor,
Mason Haire, and panel composed of:

Ian M. Ferguson

B. H. Bravinder

Raymond H. Tisch

"The Economics of Productivity." Philip Neff
and panel

4:00 - 6:45 p.m. Recreation

6:45 - Dinner Party

PROGRAM

Saturday, September 13

9:00 - 10:45 a.m. General Morning Session
"What's Ahead for Industrial Relations?"
Chairman: H. C. McClellan
Members: Benjamin Aaron
 Albert C. Beeson
 Arthur M. Ross
 D. C. Wilkens, Jr.

11:00 - 12:00 noon General Morning Session
Chairman: E. T. Grether

"Is 'Maximum Productivity' Attainable?"
Edwin G. Nourse

CLASS DESCRIPTIONS

"The Human Factors in Productivity, or Why Men Work"

A discussion and analysis of the psychological drives involved in productive effort, leading to a more thorough understanding of methods of increasing the effectiveness of supervision, personnel management, and general relations with employees.

"The Economics of Productivity"

Investigation of the role of productivity and its implications for the individual business firm and for the economy. Aimed at achieving an understanding of methods of productive effort by proper measurement and analysis, this session will develop practical suggestions for solution of this important problem.

"Economic Education for Employees"

A workshop discussion of current methods of imparting to employees an understanding of how their firm and their economy work, with demonstration of actual techniques which have been found successful in practice.

"Incentives for Employees"

A workshop session on the values and limitations of employee incentives, financial and non-financial, taking up of actual cases where incentives have worked or have not worked and the reasons for their success or failure.

"The Human Factors in Productivity" II

A continuation of Thursday's discussion, with a review of experience in selected firms.

"The Economics of Productivity" II

A continuation of Thursday's discussion, with a review of experience in selected firms.

"The Individual and the Group"

A workshop discussion aimed at understanding how the individual works in a group situation, with emphasis on those techniques of supervision and administration which will produce teamwork and the consequent good results in terms of production and morale. This session would also consider the problem of whether administrative policies should be aimed at the individual or the group.

"Incentives for Management"

There has been increasing interest, recently, in the problem of providing incentives for executives. The incentives which once existed have been hemmed in by government regulations, by contractual requirements, and by more stringent income tax laws. It seems important to find means to replace management's incentive to manage. This session is aimed at opening a discussion of specific problems in this area and specific solutions, with illustrations of methods of successful executive compensation.

WORKING OUTLINES

Outline

THE ECONOMICS OF PRODUCTIVITY

I. Basic purpose of the economics discussions.

To consider the implications of productivity increases to the economy in general and particularly to business management.

II. The meaning of productivity.

A. Definition. Output per unit of input of any resource such as labor, capital, land or managerial talent, or of any combination of productive resources.

B. Emphasis here on output per laborer, labor productivity.

C. Causes of changes in productivity; a preliminary statement.

1. Variation in effort

2. Variation in capital equipment

3. Variation in composition of output

4. Variation in composition of labor input.

III. The measurement of productivity.

A. The measurement of output.

1. Physical

2. Monetary

B. The measurement of resource input.

C. Problems of measurement in the economy and in the firm.

IV. Changes in productivity in the American economy: the facts:

Table 1

Estimated Changes in Output per Man-hour per Decade,
United States, by Major Industrial Group

Agriculture <u>1/</u>	16
Mining <u>2/</u>	34
Manufacturing <u>2/</u>	40
Transportation <u>2/</u>	45
Trade and service <u>3/</u>	16

1/ Calculated from data in United States Department of Agriculture, Productivity in Agriculture: 1909-1948, 1949, Table 1.

2/ Calculated from data in United States Bureau of Labor Statistics, "Productivity Changes Since 1939," Monthly Labor Review, Dec. 1946.

3/ Calculated from data in R. R. Giffin, "Changing Output Per Person Employed in Trade 1900-1940," The Journal of Marketing, October, 1947, pp. 242-245.

Table 2

Percentage Changes in Man-hours per Unit of Output,
United States, 1939-1947, by Industry

Synthetic fibers	-52
Blast furnaces and steel works	-21
Electrical equipment	-17
Fertilizer	-13
Cement	-10
Shoes	-4
Soap and glycerin	+2
Household electrical appliances	+3
Flour	+5
Ice cream	+9
Radios	+16

Source: John Diebold, "The Significance of Productivity Data,"
Harvard Business Review, July-August, 1952, p. 57
(original data from B.L.S.).

V. The implications of productivity changes.

A. What have they done in the past?

1. Allowed average weekly hours to decrease; from 72 to 41 hours between 1850 and 1950, a 42 per cent decline.
2. Caused real national income per capita to rise from \$303 in 1850 to \$1,487 in 1950 (1950 dollars), 391 per cent.
3. Total real income rose much faster than population, even though population rose over 500 per cent.

B. What can increasing productivity do in the future?

1. With full employment and a 40-hour week it can increase real income in the nation approximately 80 per cent over the next 30 years.

2. With full employment and a 40-hour week it can increase per capita income and consumption more than 70 per cent in 30 years.
3. With full employment and real income per capita equal to pre-Korean levels, it can allow hours of work per week to fall from 40 to 23 in 30 years, a 42 per cent decline.
4. With a 40-hour week and real income per capita equal to pre-Korean levels, it can allow employment to decline from its present level to approximately 40 million, leaving 42 per cent of the labor force unemployed 30 years hence.

VI. What causes changing productivity?

- A. It is permitted by the continuous saving of the American people (the accumulation of capital) and inventiveness.
- B. It is caused by:
 1. Continuous and increasing use of science and technology.

2. Improved management

3. Competition forcing new products and new methods

VII. How will the American people utilize the anticipated increase in productivity? Probably by some combination of increased per capita consumption, decreased hours of work (more leisure), earlier retirement, and prolonged education. Major determinants are:

A. Public policy regarding employment

B. Attitudes of people regarding the virtues of leisure.

C. Attitudes of people regarding goods and services generally and particular goods and services.

VIII. How does productivity change affect business behavior and business decisions? What problems does it create?

A. Labor requirements will change as between industries because:

1. Productivity changes at different rates in different industries
2. As consumption increases, it does so at different rates for different items.

B. Labor requirements within firms will change, e.g., direct labor per unit of output in machine tools decreased 1 per cent between 1939 and 1948; indirect labor per unit of output increased 23 per cent. In shoes direct labor decreased 7 per cent; indirect labor increased 33 per cent.

C. Technological change associated with rising productivity puts premiums on rapid adjustment to new methods.

1. Magnifies capital problem

2. Hastens obsolescence

D. Potentiality of productivity increase forces heavy expenditures for research

E. Productivity changes and competition force firms to recognize productivity data explicitly in making managerial decisions.

F. Productivity changes alter price and wage structure.

G. Competition for shares of consumer dollar will be intensified.

NOTES

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THE INDIVIDUAL AND THE GROUP

Increasingly our relations and activities are with or through groups. Similarly, decisions tend more and more to be group rather than individual decisions. This raises the problem of the place of the individual in groups and in decision making. It also raises problems of individual initiative and decision making.

Industry itself has begun to recognize that there are no quick panaceas or gimmicks in achieving harmonious working relationships. Thoughtful business executives and directors of training and research in industry are coming to the conclusion that a more fundamental approach to relationships in industry is required; based, not on pious sentiments and preachments, but on greater knowledge of human motivation, on a re-evaluation of the assumptions underlying administrative structure and managerial policy and on more accurate knowledge of how people actually work best in group situations.

This trend is the most striking development in industrial relations education in the past five years. It is the product of the research and experimentation of social scientists from different fields who are bringing their respective skills and disciplines to bear on problems of social conflict, group relations and human motivation.

Through the educational programs and research experiments of the universities, many carried on in cooperation with companies, the products of this research are being brought to industry. The experimental work of Elton Mayo in worker participation in decision making, the findings of McGregor concerning the needs and satisfactions of workers, the research of Likert and his associates at the University of Michigan on cooperation versus competition in industrial organizations, and the findings of the researchers in psychotherapy and applied anthropology are beginning to find acceptance in industry. While this acceptance is not yet widespread the trend is unmistakable.

Briefly, the findings of the social scientists indicate that people in a democratic group as against an authoritarian group, work together more co-operatively, are more interested in their work, show less tension, and continue to perform well, even in the absence of supervision; that human behaviour is directed toward the satisfaction of needs and that most human needs are satisfied through interaction with other people; that in industry these needs can be more readily satisfied through participation in decision making rather than dictation from above.

On the other hand, the concepts of "social engineering" and "group dynamics" have been subject to criticism and skepticism in some circles. In the January and March (1952) issues of FORTUNE, William H. Whyte, Jr. caustically attacks the "social engineers" seeing great danger and little good in the whole business.

Whyte attacks the "social engineers" for their "emphasis on the planned manipulation of the individual into the group role," for their "smothering of the individual." "Social engineering," he contends is a "machine for the engineering of mediocrity." It is "profoundly authoritarian in its implications" and provides "a highly appealing rationale for conformity."

The controversy poses the following questions for our discussion today:

1. Is it desirable to think of people as members of groups rather than as individuals?
2. What are some of the recent findings of the social scientists which have significance for management in the area of group relations?
3. To what degree has the individual been submerged by the group in modern industry?
4. Is the individual in the industrial or business situation deprived of adequate opportunities for individual responsibility and decision making?
5. If it is true that decisions are increasingly being made by groups rather than individuals, to what degree can increased participation in decision making be provided for individuals?
6. Can the industrial situation provide satisfactions to replace the creative satisfactions deriving from individual craftsmanship?

NOTES

NOTES

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