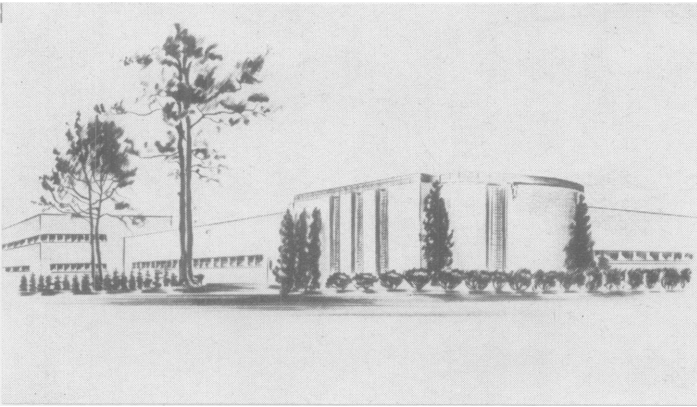


THE AUXILIARY BOARD OF DIRECTORS

An Adventure in Multiple Management



Industrial Tape Corporation
New Brunswick, New Jersey

February 10, 1950

To Our Associates:

Every business faces the need to discover new executive talent. A backlog of such talent must be ready to replace older men who advance or retire, as well as to fill positions created by expansion and technologic change.

Business must do more, however, than merely find young men of executive calibre. Few executives—certainly few young ones—come to their jobs fully developed. They need to learn, gain experience, grow. And their progress must be encouraged and guided by the company in which they work. At the same time, it must make the best possible use of their abilities. Anything less is unfair to consumers, executives, and stockholders.

There are various ways to solve this problem of finding and developing executive talent. One of the plans adopted by the Industrial Tape Corporation falls under the general heading of multiple management, the phase with which we are here concerned being termed the *Auxiliary Board of Directors*. The Board has achieved substantial success, and has evoked many questions from executives who are interested in such plans for their own organizations. These queries are answered briefly in the following account prepared by the men who are now serving on the Auxiliary Board.

A few points deserve emphasis. First, our Auxiliary Board is not unique; it is built upon the ideas of others and has profited by their experience. Second, development of men comes slowly. Human beings are accustomed to go their own way, run their own show, think about their own problems to the exclusion of others, to do as they have always done. Only time, experience and guidance will overcome these habits. An auxiliary board may take a year to affect the thoughts and actions of its members. Still more time may pass before the board begins to reveal unsuspected executive talent, and to present recommendations by which its company will profit. All this, however, merely means that an auxiliary board works with men and time, as all business does.

Within this framework the Board has served us well, as we think it may serve our sister companies in the family of Johnson & Johnson. To those companies we offer this account of the organization, activities, and results of our Board, in the hope that it may help them meet their specific developmental needs.

J. S. NICHOLLS, JR.,

President, INDUSTRIAL TAPE CORPORATION.

New Brunswick, N. J.

Digest of Report on Auxiliary Board

Multiple Management is a device for developing executive ability at the same time that it uses this executive talent in the solution of practical day-to-day problems. The Auxiliary Board is a variation of multiple management. It is a means of bringing together a diverse group of executives, whose daily work restricts them to operations within a single department. They meet for the purpose of locating and solving problems which frequently lead them beyond the narrow confines of their daily operations.

The Auxiliary Board provides responsible experience — not mere schoolroom practice — in all phases of management. Board members and their associates encounter problems, weigh facts and reach decisions for which they take responsibility and receive credit. The plan is one of training by doing, not one of merely learning how to do through observation or discussion.

The Board's practical contribution to better efficiency, improved morale, and reduced costs is outlined on pages 13-18 of the following report. That service on the Board develops men simultaneously with their practical contributions is seen in the fact that four members of the Senior Board at Industrial Tape came from the Auxiliary Board.

THE AUXILIARY BOARD OF DIRECTORS IN THE INDUSTRIAL TAPE CORPORATION

Background: The Corporation

The Industrial Tape Corporation is a wholly owned but decentralized subsidiary of Johnson & Johnson. It was established in 1937 to make and market both pressure and thermoplastic tapes for home, commerce and industry. *Texcel*, *Permacel*, and *Bondex* are among its well-known products.

Since 1941, the Industrial Tape Corporation has occupied its own modern factory on the outskirts of New Brunswick, New Jersey. Some 650 persons are employed in the New Brunswick plant. Approximately sixty of these belong to management, of whom fifty are classed as middle-management—junior members of the executive and administrative groups, and members of the professional staff. These fifty men from middle management are the people from whom the Auxiliary Board draws its members.

Origin and Objectives of Auxiliary Board

The history of the Auxiliary Board of Directors goes back to the spring of 1946. At that time, both our President and Board of Directors realized that problems were coming up

which they lacked time to handle. Where could they get assistance? And how could they make sure of new executive talent to meet the needs of a growing business?

Encouraged by Robert W. Johnson, Chairman of the parent corporation, Mr. Nicholls studied the principles and methods of multiple management. Then he and the Board of Directors established an auxiliary board and adapted the methods of multiple management to their personnel and needs in New Brunswick. In doing so they set up three principal objectives:

1. *To discover* executive talent by giving it a chance to work and win recognition.

2. *To develop* the ability of junior executives by giving them an understanding of the company as a whole, by encouraging teamwork among them and by providing responsible experience in both details of management and in policy-making.

3. *To use* the abilities of junior management to the greatest possible advantage of the Corporation in discovering and solving problems.

In other words, the plan was designed to bring profit through improvements in operation, as well as to find, encourage and train executive talent.



The Auxiliary Board; reading from left to right: J. F. NORMAN, C. D. AIKMAN, A. A. HALLY, J. A. CHESTNUT, B. L. FILA, L. E. BARNES, W. E. MAYERS (*visitor*), W. J. KLUG, JR., W. F. KINEY (*visitor*), J. A. MCGARRY and J. A. MACCARTHY.

Membership

The Auxiliary Board consists of ten members, elected for terms of six months. At the end of every six-month period, each member rates his fellows in the order of 1 to 9. The two who have served longest among the lower five then prepare to retire; the remaining eight are automatically re-elected. The full Board then elects two new members by preferential ballot, as well as a chairman and secretary for the coming term.

This method maintains continuity of personnel, thought and experience. At the same time, it gives new people a chance to join the Board, and brings in new blood twice a year. Since membership is terminated by length of service as well as rating on service rendered, there is virtually no stigma in being dropped. In fact, retiring members receive minutes of meetings for two terms—a full year—in recognition of the fact that they have served on the Board and still are interested in it.

There are no formal rules for apportioning representation, but care is taken to elect members from varied divisions of the Corporation. This is well shown by the Auxiliary Boards' present membership, which includes:

| | |
|-----------------------------------|--|
| Merchandising Manager (Texcel) | Merchandising Manager (Permacel) |
| Plant Superintendent | Manager, Development and Control |
| General Accountant | |
| Sales Manager (Texcel) | Special Assistant to the Director of Technical Service |
| Technical Service Manager | |
| Industrial Engineer | Assistant Personnel Director |

How the Auxiliary Board Operates

The Auxiliary Board does its work in regularly scheduled meetings and through the medium of committees.

Meetings are held every two weeks, at 4:45 p. m. The first forty-five minutes are devoted to dinner and informal discussion in the plant cafeteria. At 5:30 members go to a conference room, where the formal meeting is held.

Matters for the Board's attention are presented from the floor. Some problems are handled informally and disposed of at the meeting. If discussion shows that a proposal should be accepted for investigation, a motion to that effect is passed. The chairman then assigns the project to a committee which may consist only of Board members, or may also include non-members whose abilities and experience fit them to deal with the problem in hand.

The committee's chairman generally is the member by whom the project was presented. Under him the committee meets, conducts studies, and prepares written recommendations. The chairman informs the Auxiliary Board of his committee's progress; when its recommendations are ready, he presents them for the Board's consideration. This often leads to suggestions for additions or changes. When these have been made, and when the amended recommendations are unanimously approved, they are transmitted to the Corporation's Board of Directors.

Cooperation From the Corporation's Board of Directors

Success of the Auxiliary Board and its committees depends upon encouragement from the Corporation Board

of Directors. In fact, this type of multiple management probably can succeed only when these general conditions are met:

1. The company, through its board of directors, must have determined to use middle management in working out policies and in solving important problems.

2. Top executives must be ready to share authority and responsibility with other, younger men. Final authority of course, still rests with the highest executives.

3. There must be a policy of training executives in breadth of vision, teamwork, mutual understanding, and concern for the company as a whole.

4. Executives must be patient, at least while the Board is young. As Mr. Nicholls has said in his foreword, an auxiliary board has to overcome human obstacles. It also must cope with conditions which encourage isolation, narrowness and specialization among junior executives. Time is needed to do this, and to enable the group to bring in important results.

These conditions were met in the Industrial Tape Corporation before the Auxiliary Board was established. Throughout its work, the Board also has received official encouragement and helpful cooperation. Senior executives are always

available for consultation; they also make information freely available. Recommendations submitted by the Auxiliary Board are considered promptly and carefully.

Projects and Results

The Auxiliary Board has reported upon twenty-four projects, of which sixteen were accepted, three were rejected and five are under consideration. The scope of this work, as well as results achieved, may be indicated by brief summaries of a few projects approved by the Board of Directors:

PROJECT 1. Revision of order-handling procedures. Complex and sometimes confusing procedures for handling orders had grown up. Through one of its committees, the Auxiliary Board worked out a simpler plan which concentrates authority, improves scheduling, and keeps customers informed of changes in shipping dates. This plan has been in operation about two years, with all anticipated benefits, including a considerable reduction in clerical work.

PROJECT 7. Reduction of shipping costs. The Auxiliary Board developed a plan by which the managers of company-owned warehouses may anticipate inventory needs, so that goods can be shipped in carload lots, which is much cheaper than split-car shipment.

This plan was tried out, but has been suspended until adjustments can be made in certain warehouses. When adjustments are made and carload shipment is resumed, it will save about \$10,000 per year.

PROJECT 10. Installation of slitter rewinders in warehouses. Slitting and rewinding machinery had been maintained only at New Brunswick. If a distant warehouse received an order for tape of a size not in stock, it had to wait for a special shipment from New Jersey. With equipment installed in each warehouse, other sizes of tape can be cut and rewound, thus speeding up service to customers.

PROJECT 14. Establishment of a permanent Cafeteria Committee. The plant cafeteria is maintained for the convenience of employees, at a considerable cost to the Corporation. Instead of securing employee goodwill, however, it was the source of constant and often angry complaints. When analysis showed that most of these complaints were based on lack of understanding, the Auxiliary Board recommended a Cafeteria Committee composed of two employees from the plant, two from the office, two from the Board, and the cafeteria manager. This committee receives complaints, examines them, and takes action if that is needed. Reports of meetings are posted, along with monthly statements of the cafeteria's cost to the Corporation. These methods have greatly reduced the number of complaints.

Moreover, several employees who once were troublesome critics now praise the cafeteria's service.

PROJECT 16. Merit policy for salary increases. Salary increases had been made by individual decisions which were not consistent in various departments or even within departments. This has been replaced by a plant-wide policy and procedure to be followed in reviewing the progress of office workers, technicians, supervisors and executives and in increasing their salary. This policy has been accepted as fair and reliable. It thus removes a potential threat of injustice, doubt and dissatisfaction.

PROJECT 18. Simplification of price schedules, with reduction in their cost. The Corporation once issued a large and expensive series of price schedules, in a form which demanded extensive and frequent reprinting. The Auxiliary Board has suggested simpler, more compact schedules which can be kept up-to-date at less expense. A detailed plan has been drawn up and approved; with the next printing of schedules it will begin to save approximately \$10,000 per year.

THE BOARD'S VALUE TO THE CORPORATION

At this point we recall the Board's over-all objectives—to *find* executive talent, to *develop* it, and to *use* that talent

effectively for the good of the Corporation. Are these objectives being achieved, and with what success:

1. *Using Executive Talent.*

Objective evidence is clearest on the third aim; that of *using* the developing executive's talent for the Corporation's good. Here we find that the Board has accomplished present savings of \$16,000 per year, with \$20,000 to come when recommendations now approved are put into effect. Senior executives agree that these savings would not have been made had the Auxiliary Board not been in operation.

Efficiency in routine operations is important, though it may not be reduced to dollars and cents. Here the Auxiliary Board is to be credited with a greatly simplified method of handling orders, and with a system of sales forecasts which makes it possible to plan production and inventory. The Board also has devised a unified system for presenting information to employees, and has helped speed up service to customers. All are real contributions to the Corporation's success, though not objectively measurable.

2. *Development and Participation of Middle Management.*

Good service by management, like that by wage workers, depends on high morale, and morale is strongest where

individuals share in management according to ability. The Auxiliary Board's record in sharing responsibility may be shown by a few figures. Since the Board was established in 1946, twenty-one persons have been appointed or elected to membership—almost half of all who are eligible. Thirty-five non-members also have served upon committees, and ten of these men were later elected to membership. Eleven members have served two terms or more, though only three have served four six-month terms. Six members have advanced to more responsible positions, and four have joined the senior Board of Directors. Only two members of the Auxiliary Board have left the Corporation.

These figures reveal a situation in which people are alert and are engaged in healthy competition for a chance to serve on the Board. Both members and former members are convinced that the Auxiliary Board has increased their interest in the Corporation, their desire to work for its overall good, and their own improvement.

Incidentally, the fact that only two members of the Auxiliary Board have left Industrial Tape allays fear that the Board merely trains ambitious men who will promptly seek better jobs elsewhere. One great cause of turnover among junior executives is frustration; another is lack of prospect for advancement. Some junior executives with the highest potential for advancement are able both to serve fully in

the narrow specialty where they may be currently assigned and still serve well on projects of broader scope. The Auxiliary Board provides them this opportunity. The Auxiliary Board gives such executives a chance to experiment and achieve in broad, new fields; it also provides assurance that good men will not be overlooked. At the same time, it develops a feeling of fellowship, of belonging, of satisfaction as part of the organization. The man who shares that feeling is not in a hurry to quit.

3. Discovery of Talent.

Figures which reveal the Auxiliary Board's influence on morale also show that it discovers executive talent. In its first thirty months, the Board has found thirty-five people who could take part in its committee work, has elected fifteen members, and has provided six people for more responsible jobs. Senior executives agree that these men were in many instances identified for promotion by their service on the Auxiliary Board.

Major Contributions in Executive Development

Senior executives believe that Board Service makes two contributions which outrank all others in developing executive talent once it has been found:

First, the Auxiliary Board provides responsables, experience—not mere schoolroom practice—in all phases of management. Board members and their associates encounter problems, weigh facts and reach decisions for which they take responsibility and receive credit. The plan is one of training by doing, not one of merely learning how to do through observation or discussion.

Second, the Auxiliary Board emphasizes experience in teamwork. As has been said, the routine work of middle management, particularly that of highly skilled or specialized people, often encourages isolation and narrow vision. On the Board, as well as in its committees, people from various departments work together. They find that what one does affects the others; they see how highly specialized problems affect the whole Corporation. Most important of all, they learn to collaborate with equals for the general good. Without forgetting themselves or ceasing to compete with others, they still learn that their greatest achievements and satisfactions can come only from cooperation.

These are lessons every executive must learn. By teaching them *through practical experience*, the Auxiliary Board of Directors achieves its objective of developing, discovering and using new executive talent. Most comforting is the

fact that the discovery and development of junior executives has taken place while they are engaged in solving problems of great import to the company and its welfare. These achievements show the Board's value. They commend it to companies that are seeking means to challenge young executives, maintain their interests, and simultaneously develop and use their talents.

February 10, 1950.

New Brunswick, N. J.

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