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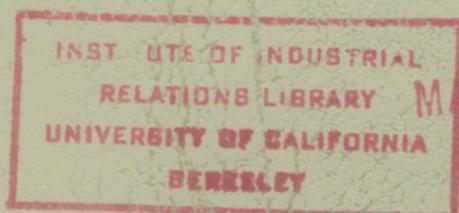
ADMINISTRATIVE INTELLIGENCE

Our Greatest Need For Good Success

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(Lecture No. 1)



Industrial Relations Section

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California

1956

**The First Arthur H. Young Lecture on
Industrial Relations, Presented at
the Biltmore Hotel, Los Angeles,
February 23, 1956**

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Printed in U.S.A.
CITIZEN PRINT SHOP, INC.
Los Angeles 13

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by

THOMAS G. SPATES

Introduction

IT IS a high honor indeed to have been appointed the first Arthur H. Young Lecturer in Industrial Relations by the Board of Trustees of California Institute of Technology. The honor derives from two distinguished and interwoven sources—the career of Arthur Young—the inspiration of Caltech.

Arthur Young's career exemplifies the finest qualities of unselfish professional service. During that career, he set the standards of performance for real leadership in industrial relations. Twenty years ago, in partial recognition of that leadership, he received the Gantt Memorial Gold Medal "for distinguished achievement in industrial management as a service to the community." In full measure, he fulfilled the cardinal qualification for that leadership—devotion to principles and the courage to act upon them in every situation.

At Caltech, under the inspired leadership of Drs. Millikan and DuBridge, the creative direction of Robert Gray, and the helpful guidance of Arthur Young, the Industrial Relations Section has been a profoundly constructive influence upon human relations in industry which has reached far beyond the borders of California. California Institute of Technology is in the uniquely favorable and the enviable role of having made reality of the belief that learning about people as well as facts and technical skills is important in training for leadership in industrial management.

So, tonight, in the inauguration of the Arthur H. Young Lectures in Industrial Relations we pay tribute to a distinguished career and to a distinguished institution. For this honorable occasion, it has seemed appropriate to discuss the proposition that — administrative intelligence is our greatest need for good success.

Definition

ADMINISTRATIVE intelligence is defined as the knowledge, the skills, and the attitudes applied to help in the growth of individual personalities; to satisfy, not only their material, but also their noneconomic and spiritual needs; to maintain mutually satisfying interpersonal relations among the members of each organizational group; to achieve the proper purposes of an organization by, through, and with its people.

Administrative intelligence has to do with people at the places where they work, whether it be in government, church, education, unions, or business. It has to do with all the people on the payroll, from the charwoman to the chairman. It is a requisite attribute of everyone who directs the work of others.

Administrative intelligence meets its greatest challenge, and has its greatest promise in personnel administration, the finest of all the arts, and one of the most practical of the sciences.

The Record

So much for definition. Now let's see what the record reveals about the quality of and the need for administrative intelligence.

In the years of our national history, when the leaders of business were firmly in the driver's seat, their leadership, with a few exceptions, was characterized by the exploitation of human as well as material resources. The hearings leading up to the passage of the National Labor Relations Act recorded that the use by industry, of labor spies, strikebreakers, private police, and weapons in labor disputes was fairly common. As recently as January, 1950, it was reported from the coal fields of Pennsylvania that: "The outlook of these men is as black as the coal they dig. Their minds are dominated by memories of the days when the companies owned everything in the mine patches, including the miners, and exercised their ownership with brutal disregard for human values." The current song hit, "Sixteen Tons," has captured that memory and is helping to keep it alive.

Many of the leaders of labor, who replaced the business leaders in the driver's seat, proceeded to abuse their newly acquired power, and to disregard the public interest. The hearings leading up to the passage of the Labor-Management Relations Act recorded that the use, by unions, of coercion, intimidation, sabotage, violence, discrimination, and racketeering was fairly common. Some of the newspaper headlines of these times read: Grand Jury Urges Curb on Picketing; \$117,000 Damages Levied on Strikers; Gov. Martin Persuades Sit-downers to Abandon Strike; Jersey Court Rules Closed Shop Illegal, Holds Picketing to Gain It Unlawful; Los Angeles Court Holds Picketing Illegal When It Seeks Only to Unionize a Plant; Grand Jury Warns of Ruin by Unions, Asks Legal Curbs.

In 1946, ten years after the enactment of a law "to diminish the causes of labor disputes," strike losses reached the all-time peak of 116

million man-days. The recent award-winning movie, "On the Water Front," captured some of the brutal disregard for human values during that period of labor conflict, and reminded us forcibly of the shortcomings of the law as a means of improving the quality of administrative intelligence.

Those two periods of different occupancy of the driver's seat may be simply and dramatically summarized by reference to two events. In the year 1900, Andrew Carnegie, a leader of industry, while paying his workers about 16 cents an hour, had a personal income of more than 23 million dollars. Forty-six years later, John L. Lewis, a leader of unions, with more power than Carnegie achieved with all his wealth, was defying the office of the President of the United States, for which he was found guilty of civil and criminal contempt. It is not so much *who* occupies the driver's seat as *how* they conduct themselves with respect to the common good.

Later, we will review the period during which the driver's seat has been jointly occupied.

Developments in Personnel Administration

But, now, let's highlight some of the developments which were spurred by the need for improved administrative intelligence in personnel administration.

1. Over a period of forty-five years the American code of personnel administration has been evolving. It had its origins in the minds and hearts of a few business leaders, who believed that it was both appropriate and profitable that employees be treated as individual human beings. It has been built through trial and error by countless people in all walks of life. It is dynamic. It is always expanding in depth and in scope. The principles and policies it contains have been proved to satisfy the noneconomic and spiritual needs of all kinds of people, in all kinds of work, at all kinds of places.

2. The personnel function of general management has been raised to the highest levels of organization. There are probably more personnel

vice presidents today than there were employment managers a quarter of a century ago. Compensation for these vice presidents ranges from \$25,000 to more than \$100,000 a year.

3. Personnel practices have been refined and have been expanded in their application: from employment by a crook of the finger to comprehensive, personal interviews and test batteries; from the once-over and "you'll do" to thorough medical examination; from the brush off to psychotherapy; from job rating to evaluation of management positions; from merit rating by gossip to systematic performance review and appraisal; from huddle-fuddle to scientific measurement in the selection of supervisors; from the rule book to the policy statement; from platitudes to cases, and from lectures to conferences in encouraging self-awareness; from the raised eyebrow and the bulletin board to the personal letter and a wide variety of audio visual aids in communication; from hunch and guess to methodical survey in learning about attitudes; from job rating to executive development; from paternalism and dictatorship to consultative supervision and cultural leadership.

4. The establishment, in 1945, of a separate school in a university with a four-year curriculum in personnel administration leading to a degree followed, by a quarter of a century, the publication of the first text book in this field. Today, no curriculum in business administration or industrial management would be considered adequate without courses in personnel administration.

5. In recent years, through research and application leading to proof of theory and belief, anthropologists, psychiatrists, psychologists, and sociologists have made substantial contributions to the fund of administrative intelligence.

6. And, lastly, in this summary of high spots, is the fact that across the country members of management, by the thousands, including many of long service with their respective companies, are going to school. Personnel administration is prominent among their studies.

With these developments accomplished and in use, employment relations in the United States should really be in great shape.

Joint Responsibility and Results

Encouraged by the revisions of the National Labor Relations Act and by unexpectedly high economic activity following the wars, and impressed by the power of organized labor, leaders of business abandoned much of their early antagonism toward collective bargaining and set about to help make it work. Among the results, largely at the expense of all consumers, have been the highest real wages in history, to which have been added 25 billion dollars a year, or an average of 45 cents an hour, in benefits. These are great material gains. The benefits have been catching up with standards some leaders set voluntarily many years ago. They are repairing much damage done in the past. They are establishing new standards. They should be of value to individuals and to our national economy.

However, in the process of achieving these phenomenal material gains, leaders of business and leaders of unions, either knowingly or unknowingly, have jointly embarked upon a program which is undermining capitalism, human character, and other values of the American way of life which were supposed to have contributed to the basic elements of our true greatness.

Capitalism and human character are undermined by giving more and more for less and less; by persistent inflation through cost-of-living allowances, and guaranteed annual increases; by the deficit financing necessary to keep the program going; by appealing to greed, laziness, and self-pity through free benefits, paying employees to become stockholders, and through rewards unrelated to merit and productivity.

Compulsory Unionism

Other values are undermined by compulsory unionism, now covering at least 70% of all organized labor. Compulsory unionism is a contradiction, rather than a confirmation, of our

great Hebrew-Christian heritage of belief in the sacredness of the individual human personality. Compulsory unionism is a violation of the firm obligation of democracy to protect, rather than to oppress, minorities. Compulsory unionism is the "yellow dog" contract in reverse; and, therefore, subject to the same public condemnation and congressional action accorded that insult to the self-respect and dignity of employees. The continuing demand for compulsory unionism is a clear expression of an inconsistent and inexcusable lack of faith on the part of its advocates, in the fundamental values of unionism as an institution which are professed by so many leaders of labor and accorded wide support. In the case of some leaders of labor, compulsory unionism may be solely an expression of their own personal insecurity.

Because compulsory unionism is not required for the common good, it cannot be reconciled with the deep American tradition of opposition to autocratic domination in every form — unless we become so completely brainwashed and weakened as to go the full cycle through tyranny and back to democracy, in the course of which the advocates of compulsory unionism would presumably have been liquidated.

Evidence of Failure

Much evidence that forecasts the long-term failure of some aspects of the program of personnel administration currently espoused by eminent leaders of business and of unions is already in the record. It consists of an impressive list of uniquely and supremely unfavorable events in employment relations coinciding with the phenomenal material gains. Many extraordinarily long records of industrial peace have been broken. Standards of service and craftsmanship have been deteriorating. Employment tends to become a form of punishment to be endured for the sake of enjoying the fringe benefits. Strike losses have increased even though several of the largest companies negotiated peacefully in 1955. Many of these events have been reminiscent of the industrial warfare of 1937 and 1946. Many have been motivated by the philosophy of "the

end justifies the means." These unfavorable events have occurred, not when leaders of unions were fighting against exploitation; not when they were fighting for recognition; but when they had gained power and influence far beyond the fondest dreams of twenty years ago. Evidence of the failure of the current program was spectacularly demonstrated last summer when nearly a quarter of a million workers in the automobile industry walked off the job while an agreement was in effect and fair bargaining was in process.

From all points of the compass, in countless numbers, people are still asking that they be treated like individual human beings at the places where they work. This is poignantly revealed in an article in the September-October 1955 issue of the *Harvard Business Review* entitled, "Management and the Assembly Line." It was forcefully brought out at a conference last June, sponsored by the Society For Personnel Administration, in the proceedings of which it was recorded that "no attention given to individual development" was the No. 1 feature of the Government Personnel System. Inspiring, isn't it? Treatment like machines rather than human beings is reliably reported to be one of the foremost reasons for the high Communist vote in the recent national election in France, even in the areas of highest wages.

The Paradox

The paradox of failure in the presence of phenomenal material gains is not hard to explain. Not only does the source of administrative intelligence reside in the conscience of leaders, but it is concerned primarily with the hearts and spirits of people. Those are qualitative values. History offers no evidence that quantitative methods and rewards have ever provided the solution to qualitative problems. The going can be extra tough when you ignore the lessons of history and experience.

So, in spite of the encouraging developments previously summarized, the inferiority of administrative intelligence continues to plague us.

Measurements of Administrative Intelligence

Because the record still supports the conclusion that Americans prefer sound personnel administration to unionism, a quantitative measure, in reverse ratio, of the administrative intelligence of leaders of business is provided by the number of disillusioned employees, including professional engineers, who turn to union leadership. As a part of this measurement, it should be added, that before they were deprived by law from the right of doing so, about 100,000 frustrated foremen had expressed their need for collective action through the Foreman's Association of America and other foremen's unions.

A qualitative measure of the administrative intelligence of leaders of unions will be found in the extent to which they, in fact, exercise their concentration of unregulated power in the public interest; the extent to which they demand increased productivity as the base for economic improvement; the extent to which they demand that the needs, desires, and goals of the individual be made the focal point of all employment relations.

Why Progress Is Slow

What is the explanation for the slow progress in improving administrative intelligence and its application through personnel administration? Here are some answers.

1. Because we are still contending with the old savage in a new civilization.
2. Because it deals with infinite and complex variables, administrative intelligence is probably the highest function of the human mind.
3. Because in our culture, problems associated with financing, producing, and selling have had a high priority over the problems of people.
4. Most of our contemporary leaders of business, and leaders of unions, gained their power and prestige under a system which condoned disregard of human values. They never had it so nice — so why change the system? They are

satisfied, so why should they abdicate or even change their habits — at least, not until they are threatened with failure, or the inadequacy of their habits, and the system has been unmistakably demonstrated.

5. In spite of the overwhelming evidence to the contrary, it has been common practice for those who direct the work of others to assume that they know all there is to know about how to handle people.

6. There are still people in the highest positions of leadership for whom the practice of the principles of personnel administration is temperamentally very difficult. They give the impression of being beyond the point of adaptation.

7. To only one generation of Americans has the subject of personnel administration in its broadest sense been available as a part of their formal education, and to only a very limited number of that generation.

8. And, lastly, an answer is found in the shortcomings of our educational curricula — now more clearly revealed by events than they have ever been before.

Here this generation stands; the healthiest, the most protected by social security, and the best educated in history; and yet it is undoubtedly also the most frustrated, disillusioned, and the most confused.

Shortcomings of Education

Clearly, our best education has not been good enough to raise the level and extend the boundaries of administrative intelligence in proportion to the increasing complexities of life. Clearly, our best education has not been good enough to cope with the problems of people and their interpersonal relationships, even at the places where they work. Clearly, our best education has not been good enough to produce in three hundred years many leaders with genuine respect for human values, and the character to fight vigorously for their recognition.

Clearly, our best education has been consistently, and, until quite recently, completely

lacking instruction in personnel administration as a way of life at the places where people work.

Yes, personnel administration is now considered indispensable for education in business leadership. It is being taught to members of management to help make up for the deficiency in their previous education. It is taught in many technical and engineering schools as a liberalizing discipline. It is very rarely found in the curricula of other professional schools.

But, tragically, personnel administration as a discipline does not appear in the curricula of our high schools. It is either unknown to, ignored by, or resisted by leaders of our liberal arts colleges, even though it is indeed one of the finest of all the arts.

Art and Science

Personnel administration is the finest of all the arts because it is concerned with people, no two of whom are alike; because it is concerned with the growth and dignity of individual personalities and their impact upon each other; because it deals with infinite variables and operates in an uncontrolled environment; because its ultimate goal, too, is the perfection of man.

Personnel administration is also one of the most practical of the sciences because it can increase morale and productivity upon which our society is dependent; because, given a certain set of circumstances in interpersonal relationships at the places where people work, the consequences can be predicted with extraordinary accuracy. For example, the author of the article previously referred to, has said, "Management was surprised and shocked by the walkouts, yet on the basis of our material they could easily have been predicted."

In the arts and the sciences, are we aware of any greater knowledge, higher skills, finer philosophy, and even inspiration than are required of one who leads problem-solving conferences, composed of different personalities, and during the course of which each feels the freedom of self-expression; each feels his part is being re-

spected; no one feels he has been ignored or humiliated; each gets a sense of personal satisfaction and growth? All of these worthy achievements, both material and spiritual, can be the products of superior administrative intelligence expressed through personnel administration.

Even in the field of atomic energy, one of our leading scientists has said that of all the problems they had to solve, 75 to 90 percent (the range varying with time and circumstances) had to do with people. An eminent scholar and practitioner of psychiatry concluded from his wide experience that our problems always have to do with our relationships with other persons.

Liberal Arts and Education

The position of leaders of liberal arts, in opposing personnel administration as a separate and integrated discipline, would be more understandable and valid if the practice of personnel administration under their leadership compared favorably with that of outstanding examples from business. But their case for the liberal arts as the best of all educations collapses in the presence of the deplorably backward status of personnel administration as affecting the people on the payrolls of our educational institutions. In other words, the advocates for liberal arts would have made a better case if they, who are products of that education, had demonstrated its benefits by their own personnel performance as administrative officers.

Their situation is similar to that of contemporary leaders of business and of unions. They rose to high positions and prestige in education without having studied personnel administration — so why change? However, they are not having it quite so nice as are their competitors for the minds of men, so perhaps they will change more rapidly. Time and events are steadily forcing the acknowledgment that an education grounded in classical antiquity is inadequate to cope with contemporary problems in employment relations.

Certainly in education, the purpose of which is the civilization of human beings, lies our greatest hope for enhancing the creative quality of ad-

ministrative intelligence. But, according to the record, the hope will be dim until, on the grand scale, personnel administration in the broadest sense, is included in the curricula of our high schools and as a major discipline of the liberal arts. As a major discipline it would draw from the disciplines of anthropology, history, philosophy, psychology, theology, sociology, and some sections of economics. If a compromise has to be made short of a major discipline, then a logical association for personnel administration would be the discipline of philosophy; for personnel administration is essentially a way of life at the places where people work. With this addition to educational content we would be giving more meaning and reality to our professions of faith in the sacredness of the individual human personality and in the principles of democracy; and, according to results already achieved both in education and business, a greater proportion of leaders would keep the faith.

Evidence and Proof

Many parts, aspects, and values of the American code of personnel administration are no longer a matter of opinion or even belief. They are supported by a substantial body of evidence and, in some cases, by proof established by scientific methods. Here are some of the requirements, precepts, and manifestations of superior administrative intelligence that will increase morale, productivity, and profit; that will help people at work to tick with a glow of inward satisfaction and click with a voluntary urge to get the job well and speedily done; that will help preserve the vigor and expand the richness of democracy; that mark the difference between success and Good success:

1. Human beings are unbelievably adaptable; their group behavior is influenced almost entirely by environment; the total work environment is predominately influenced and conditioned by top management; therefore the crucial importance of behavior at the top of every organization.

2. We must have respect for and understanding of ourselves in order to have respect for and

understanding of others; therefore the need for self-insight and self-awareness — knowing our own limitations, prejudices, values, and impact upon others.

3. Man is a wanting, longing, aspiring organism with an urge for growth; therefore the need for an organizational climate, moral code, and emotional atmosphere which in themselves will encourage, stimulate, and promote individual development.

4. The greatest *single* factor in the productivity and development of the individual is his mental and emotional attitude toward his boss; therefore the need for leaders motivated by principle rather than expediency, with a philosophy of life in which respect for others is paramount. The leader who, in his anxiety to get production, breathes down the necks of those whose work he directs, loses both production and morale.

5. The greatest *over-all* factor in the productivity and development of the individual and the group is the experience of participation in solving problems affecting their employment relations; therefore the need for consultative supervision and cultural leadership. This is well illustrated by the following quotation: "Of all the dull, dead weights men ever bore, none wears the soul with discontent like consciousness of power unused." Truly phenomenal records of productivity have been made as a consequence of participation through consultative supervision.

There are those who have warned that democratic or cultural leadership, one of the highest manifestations of administrative intelligence, might lead to the suppression of individual, creative thinking and make a virtue of listless conformity. Nothing could be further from both the goals and the realities of this method of administration. It does, however, encourage conformity to the philosophy, the principles, and the moral and spiritual values of the Declaration of Independence and the Bill of Rights as a virtuous and practical way of life at the places where people work.

6. There is no essential difference between the basic personal problem of the leader and those whose work he directs. They are all concerned with the maintenance of their individuality, their dignity, and retention of their group status; therefore the need for recognizing the differences between *personal* security and *job* security at all levels.

7. When people are brought together for the purpose of attaining a common objective, they feel they are entitled to know, in advance, what it's all about; who calls the signals; where the referee comes in; what rewards and penalties are involved; how the game is supposed to be played, and why; therefore the need for providing everyone on the payroll with a written statement of principles and policies of personnel administration expressive of superior administrative intelligence. Act on the principles courageously in every situation. Revise and improve the policies, through consultative supervision, to meet changing conditions.

8. When long-established and tested principles of organization are violated, trouble is guaranteed; therefore the need of keeping the formal organization structure up to date, assuring compliance with established lines of communication and command, describing all positions, and keeping everyone informed on duties, responsibilities, and authority; at the same time taking account of the realities and values of informal organization practices.

9. For the best administration, analysis is far better than blame; therefore the need of taking account of the total situation and asking the question — “What happened?” rather than — “What did you do?” There is a world of difference in emotional atmosphere and reaction between those two questions.

10. Listening without argument or passing judgment is one of our most effective aids in communication and, therefore, administration. Good listening improves interpersonal relations and saves time. It can help people who are disturbed to solve their own problems.

11. When people are frustrated at the places where they work by being made to feel inferior, by being treated no better than machines, they will increase the pressure for more money as an expression of resentment against emotional insecurity. However, the low morale and low productivity will continue after more money is received unless the original source of frustration and hostility is removed.

12. Any form of behavior will continue, no matter what its pattern, so long as it is rewarded; therefore the need for eliminating procrastination in dealing with the problems of people; for putting more emphasis on moral standards in the selection of leaders; for constant study and research on the complex and sometimes baffling system of rewards and punishments.

This simplified and selective list of items from the vast fund of administrative intelligence could be multiplied and still retain its validity within the realm of substantial evidence and proof. It is hoped, however, that this brief list has sufficed to impress even the skeptical with the essential role of personnel administration in our national life and with the justification for including it as a major discipline in our educational curricula.

Good Success

Up to now, you have been deliberately kept in suspense regarding the origin and explanation of the words "Good Success" in the title of our discussion. These words appear in an inscription on a monument marking the birthplace of the United States of America at Jamestown, Virginia, just three hundred and fifty years ago. The inscription reads in part as follows: "Lastly and chiefly the way to prosper and achieve good success is to make yourselves all of one mind for the good of your country and your own, and to serve and fear God the giver of all goodness, for every plantation which our heavenly father hath not planted shall be rooted out."

Those words, "good success," are subject to many interpretations, but within the context and circumstances of this discussion it is proposed to define success as just making profits; and good

success as making profits by methods that contribute to the growth and personal satisfaction of everyone on the payroll. Success may be achieved with common sense. Good success requires the most uncommon sense of which we have any knowledge. Most organizations make profits. Relatively few maintain really high standards of personnel administration.

Last year a member of the class of 1955 in Industrial Administration at Yale wrote on his last examination: "The Z case seemed to pull the whole course together by demonstrating the difference between 'success' and 'good success'. The officers had perhaps fulfilled themselves in their principles of hard, honest work, but the Bank was not a better place to work on account of them being there."

As the years have passed, more and more top executives have given real meaning to their lives by the distinction of achieving good success. But progress has been painstakingly slow. There has always been more tested experience in personnel administration than top executives could be persuaded to use. Their use of this experience has almost always been—"too little and too late."

Competitive Spirit

At this juncture in our national life, the greatest hope for rapid and effective progress may come from the competitive spirit that lies deep within our culture. Whether or not we have war with Russia is a matter of speculation. But technical and industrial competition with Russia is an inescapable fact. The U.S.S.R. is already the world's second industrial power. For many years they have been exceeding us in the graduation of engineers. We have been told recently on high authority that they are now the world's second naval power. So, in population, size, resources, leadership, and a passion for industrialization, the U.S.A. has finally met its match in the U.S.S.R.

But, the competition is not only with an industrialized Russia. We are also in competition with the doctrine of communism.

In the past ten years, while we have been undermining capitalism, curtailing civil liberty, spreading compulsory unionism, and offering the easy life on deficit financing, the propagandists of communism have been achieving major successes on many fronts. Are those two sets of circumstances mere coincidence?

We may not be on the brink of war, but we are on the precipice of a potentially calamitous decision. We are face to face with two appalling questions. Our competitors are very busy while we think up the answers. Is the United States of America going to concede first place as a great industrial power to the U.S.S.R. by default? Do we concede that the doctrine of communism is really the wave of the future as its propagandists so loudly and confidently proclaim?

In pondering those questions we may gain some assurance from the knowledge that our leaders are very resourceful. They respond with amazing vitality to the challenge of competition. They have never yet failed the American people in a national emergency. Also, there are many hopeful signs, not the least of which occurred this month in New Haven, when a group of truly top executives participated in a series of seminars devoted exclusively to personnel policy, under the auspices of the Connecticut Branch of the National Metal Trades Association.

But make no mistake about it, if we are to meet with good success the challenge to our survival as the leader of the "free world" implied by those questions, if we are to give those questions a negative answer with resounding confidence, then we must put to use, on the grand scale, our ultimate competitive advantage which is stored in our fund of administrative intelligence, expressed through the American code of personnel administration.

But are there those among you who still believe that we claim too much for the principles, policies, and practices of personnel administration? Here is our concluding answer:

For the attainment of those goals for which people everywhere have been striving since the early dawn, there is no substitute for sound personnel administration. The stand it takes is a powerful one, for the code it represents is universal and creative and fulfills the needs of human beings. Sound personnel administration stands for principles that mankind has evoked out of hope and love for centuries, for the lack of which we might this very day be coolies of a master race, and by the neglect of which we may yet be servants of a totalitarian state.

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