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DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By

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* * * * * *

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1964

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FIELDS OF STUDY

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CHAPTER I

INTRODUCTION TO THE STUDY

Chapter Objective

The objective of this chapter is to provide an introduction to a research project which deals with the nature and functioning of a formal philosophy of management. This objective is pursued by first discussing the background developments in management thought which led the writer to the formulation of the research problem. In subsequent sections of the chapter, the objective is pursued through the explanation of the problem, definitions of terms, limitations upon the scope of the research project and an explanation of the research methodology.

Background for the Study

The traditional concept of the corporate manager

The research project had its genesis in the changing concept of the manager of the business corporation. In the recent past the popular conception of the corporate
manager's role was that of pursuing a maximum dollar return for the owner. The manager was concerned solely with developing balance between the economy and effectiveness of resource utilization. If the manager did this he was performing his part well. The traditional corporation as the instrumentality of a single group -- the shareholders -- meant that there was little direct recognition of public responsibility. The public interest was left to the care of the state or to the automatic operation of the market. This concept of the corporation and the role of the manager was attacked as short-lived and ultimately destructive of the social system which spawned the corporation to begin with.¹

The problem of power

The attack upon the traditional conception of the business corporation can be explained in part by developments in power concentrations in the American society. A generation ago, the corporate manager was the principal center of power. His authority to command the factors of

production was largely unchallenged except when legal boundaries were transgressed.

However, new and opposing power centers emerged.\(^2\) Most obvious was the development of organized labor. Unions gained great power and imposed restrictions through collective bargaining. Likewise, increased governmental codes, regulations and the threat of new legislation imposed restrictions upon the corporate manager.

Similarly, the development of more integrated companies with dependency upon a network of other companies and industries makes the effectiveness of coordination dependent upon suppliers, distributors and subcontractors. Nor are the latter in complete control of their business because of unavoidable interruptions in the flow of materials and labor. Furthermore, public opinion has more immediate impact through pressure groups which utilize modern means of communication to express their positions on management actions.\(^3\)


In the midst of the attack upon the traditional concept of the corporate manager, a noteworthy book was written which described the change in view. The following quotation from that book sums the power argument:

The crisis which has led to the concern . . . is much more complex. It stems from nothing less than the age old problem of power . . . . . . power calls, in other words for a new look at management and its authority . . . .

It means that other power systems (must) be recognized and accepted whether they be the power systems of labor, the state, the farmer or other interest groups.  

The corporate manager no longer views himself as the principal center of power. He views himself as one of many groups which exercise varying degrees of control in matters of social and economic concern. This does not relieve the corporate manager of his responsibilities to direct the affairs of the business institution and to direct it in such a way that it continues to contribute positively to social welfare. The manager is thus in a dilemma:

But at the same time business men must hold on to power so as to safeguard the efficiency of

---

their establishments; for without power it is impossible to operate effectively . . .

The corporate manager finds himself able to maintain his position of power in the total community only so long as he deserves the respect of other centers of power. The question is whether the power is exercised legitimately. The source of legitimacy is the management philosophy which the executive team espouses and upon which actions are carried out.  

The broader context of the social-economic system

There is a vein of thinking which views the problem of management philosophy, not only by power concentrations, but also from the point of view of the individual firm within the total social and economic system. This view says that a management perspective which ignores the total economic-social context within which the firm operates is shortsighted and inadequate, if private enterprise is to prevail.

The pursuit of profit within the economic system assures consumer values and finds its self-preservation in

5Ibid.

enlightened economic self-interest. The conditions of economic survival and prosperity are requisite to broader social progress. There is ample historical justification for this position. The high points in economic growth and development precede the peak in cultural achievement in various civilizations.  

At this point in American history the dream of establishing a great culture is manifest. A culture and civilization in which high economic welfare is widely distributed, with opportunity for individual growth and development available to a high proportion of the people, does not seem far away. As this continues to take place, the questions of higher accomplishment in the realm of creative achievement, justice, order, esthetic values, happiness and beauty tend to become the vital part of civilization.

A value system of businessmen should give guidance to the limits within which business may operate to prevent

interference with the development of higher culture. The present day expression of this is the term "social responsibility" (in the light of certain abusive and destructive business practices). This view holds that business can help to promote and develop, rather than slow down, the development of a broader culture and a greater civilization.

**Effect upon management philosophies**

The change in power positions and the effective portrayal of business in a broader economic and cultural setting caused a new interest in the corporate manager's personal philosophy of business management. Managers were urged to do some soul searching:

What the manager needs is to re-examine thoroughly the functions and responsibilities of business enterprise, to clarify the specific objectives and operating philosophy of his particular company, to reappraise the basis of his managerial authority. Above all, he must gain a sound view of his own personal goals and the values upon which he will build his relations with his employees and associates.

... management has found that some new attitudes and values are necessary to get the job done effectively. We can no longer operate successfully with the values and interpretations of our function

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which were satisfactory a generation ago. Revision of our business philosophy has become an operating necessity.\(^9\)

The emphasis which is displayed in management literature at any one time is usually the outward manifestation of something which is taking place within the world of business. If the volumes of literature written by practitioners and scholars on the subject of management philosophy, is a sound indication, it seems safe to assert that some of this is reflective of what is actually happening. The concern over the new conception of the corporation and what this means for the philosophy of the management group, might cause a regeneration of thought concerning basic values and attitudes within many top management teams.\(^{10}\)

\(^9\) Ohmann, p. 43.

A formal management philosophy is a basic statement of the corporation's raison d'être. The document no doubt, then, is subject to close scrutiny. Its functioning is perhaps reviewed and changed in the light of new circumstances. It is known that a written management philosophy is a relatively new development in American business practice. It is associated with the approximate period in which the


business corporation is under attack — the period of the last two decades.

A revised conception of the corporation

The criticism of the traditional idea of the corporation led to revisions. On the one extreme, the idea of the metro-corporation with limitless social obligations developed.12 As a major social institution, the corporation was considered to be far removed from the limited-function organization of traditional theory. In the metro-corporation, managers would hold themselves accountable to many sectors of society. Rather than being accountable to shareholders only, the metro-corporation would have concern for the whole of society. In short, the extreme conception pulled the corporation from a private role to a public role, from an economic role to a social role, and from an organization of scalar authority to one operating under egalitarian principles.

Another view which replaces the traditional idea has come to be accepted, which is less extreme than the metro-corporation. This view provides a definite responsibility

12Eells and Walton, p. 469.
to stockholders. The owner's position is best protected if the company is a socially responsible person. The managerial problem is to allocate costs to assure that the position is protected. The top managers are concerned with balancing the interests of all groups in relation to ownership and the accepted values of a free society.\textsuperscript{13,14}

The Statement of the Problem

The general problem

The concern in this project will be with how the formal management philosophy is used in a large-scale enterprise. The general problem is to develop the nature and functioning of a formal management philosophy in the large industrial corporation.

The detailed problem

A more detailed breakdown of the problem raises the following subissues:

1. Purpose and development of a formal management philosophy.

\textsuperscript{13}Ibid., p. 474.

2. Implementation of a formal management philosophy.
3. Relationships between a formal management philosophy and company policy.
4. Evaluation of the effectiveness of a formal management philosophy.
5. The content of a formal management philosophy.

Answers to the questions just listed should enable the development of a more comprehensive body of information on an important aspect of top management practice.

Significance of the problem

A philosophy of management supplies a common set of assumptions from which unified managerial thought may develop. There is an increasing awareness of the benefits which a philosophy of management can provide. This has caused the formalization of management philosophies in an attempt to obtain such benefits. But formalization alone is not enough. The actual use of the document in the administration of the firm is of vital importance.

The significance of this study lies in the contribution which it makes to a knowledge of the contents of the written philosophies of management and of the functioning of the documents.
The findings which are mentioned in brief fashion here are only those which give the project some originality. A more complete report is the subject of subsequent chapters which also include the findings that serve to supplement or reinforce present knowledge.

Regarding the origin of a formal philosophy of management, this study finds that it is largely an after the fact development in the life of an organization. It becomes written only after the members of top management have already agreed on basic values. It is not used to bring about agreement but to recognize the agreement which already exists. The document is used to perpetuate or spread these values among other members of the management team. Among top managers the agreement on values comes about by interaction and close contact in the activities of managing the company.

The document is not useful for bringing about a quick change in the values of lower echelon managers. Such change takes place over time as the result of a program of indoctrination which may make use of the document. The project finds that the primary audience of indoctrinative effort is line and staff managerial personnel.
The study finds that top managers consider the written philosophy as representative of the central values of the management organization. As such, it provides the intellectual undergirding for the development and administration of policy. Policy is viewed by top managers as the means by which the organization is directed to value performance. The top managers believe that the values as stated in the documents are supportive of favorable economic performance. However, there is no method for the testing of this belief reported by the respondents.

This study establishes the fact that one tendency of top managements is to concentrate on eleven factors of management in their written philosophies. The value tenets expressed on these eleven factors are noticeably similar but with some unexpected divergencies. This phase of the study results in a synthesis of the values of written philosophies which should provide the source of subsequent inquiry and also a method of investigation of other written philosophies.

The significance of this project, therefore, lies in the additional insight which it provides into the nature and functioning of a written philosophy of management.
Definition of Terms

Management philosophy

A management philosophy can be defined by the individual words which make up the term. A philosophy is "a system of principles for guidance in practical affairs." A system is "an ordered and comprehensive assemblage of . . . principles, doctrines or the like in a particular field of knowledge or thought." The particular field of knowledge is business management. "Management is the function of executive leadership. It is the work of planning, organizing and controlling the activities of the organization in the accomplishment of its objectives." The organization in question is the business organization. It is engaged in the creation and distribution of economic values. Taking the breakdown of two of the words, a management philosophy is, therefore, "an ordered and comprehensive assemblage of principles, doctrines and the like,

16 Ibid., p. 1230.
pertaining to the work of planning, organizing and controlling the creation and distribution of economic values."

**Purpose of a management philosophy**

The term management philosophy can be better understood if it is explained by the purpose which it fulfills. The purpose of a management philosophy is to provide "a system of thought based upon some logical relationship between concepts and principles that explains certain phenomena and supplies a basis for the rational solution of related problems." The system of thought serves the useful purpose of providing a "basic guide to, explanation of, or justification for the actions of management." A management philosophy provides an anchor which holds the thinking of management to a common core.

**Collective management philosophy**

A management philosophy is further defined as the value concepts that are embraced, totally by a particular

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group of managers in directing the affairs of a given concern. This is in contradistinction to the values which individual managers may hold. The possession of a set of values by the individual manager enables him to manage in the specific context of his job. He needs a personally developed philosophy which provides the background to apply the company-wide philosophy, as embodied in policies, to the action needs of his assigned responsibility and accountability. It is not with an individual's philosophy that this report is concerned, although it is recognized that the term management philosophy frequently refers to a personal set of principles embraced by a single manager. When reference is made to the term management philosophy in this report, it refers to formally defined collective beliefs of the management group.

Brevity of a management philosophy

A management philosophy cannot include the entire system of thought since this necessitates a tome of written material. Since all complete systems of thought begin with basic assumptions, values, beliefs or principles about the factors which are the center of the discourse, a written
statement of management philosophy provides only this beginning point. How much beyond this point a statement of philosophy goes, is a matter of decision for the executives who are framing the document. If the statement goes beyond basic concepts, into specific application to the affairs of the concern, it may take on the appearance of policy. Such is the case in some philosophical statements. For example, a portion of the H. J. Heinz statement of philosophy (which is called "Basic Policies") makes the assertion that the greatest economic service can be rendered by the company if it limits itself primarily to manufacturing activities. 20 It proceeds to set forth the standard that no more than 25 per cent of its sales should consist of products which are not produced by the company. The latter is regarded as a policy statement. It is more specific than a statement of philosophy needs to be. It is definitive and includes a standard by which to measure performance. If we accept the definition offered earlier that a statement of management philosophy is a basic statement which serves to present the system of thought which underlies the action of the management team, we can accept only the former as part of the

philosophy of the Heinz management group. The brevity of
the statements of management philosophy is thus a necessary
condition for this project. The primary subject of the
research is the respondent's philosophy of management.
Excluded is the detailed implementation of the philosophy
by means of policy and rules.

**Formal or written management philosophies**

It has been necessary to restrict the scope of this study to concerns that have developed written statements of their management philosophies. When a management philosophy is stated in written terms, it becomes more formal. It is taken from the oral to the written level. In the process, the executive group becomes aware of the differences which divide them. The resolution of these differences by obtaining agreement on certain basic concepts provides the basis for unity of thought and action.\(^{21}\)

It is recognized that many companies may have written policies and yet lack a written statement of philosophy. In such cases, reverse reasoning is necessary to ascertain what the philosophy is. When this takes place -- going

\(^{21}\) Thompson, p. 41.
from specific to general -- inconsistencies between specific statements may become apparent. Inconsistencies may exist because of the lack of an encompassing set of values which provide the wellspring from which the more specific policies are developed. The hazard of having policy statements without the basic platform, then, is that policy conflicts may occur.

For research purposes, such situations are excluded. Certainly they are worthy of research. To study a selected set of policy statements, to synthesize them to a common statement of value constructs, and to see whether conflicts do exist between specific policies is a most interesting research project. However, in order to do so, a special research method is necessary. It is hoped that the research project as described in this report might point the way to such an undertaking. A study of existing formal statements and how they are used, therefore, takes precedence.

Nature of a management philosophy

A management philosophy is concerned, "largely with relating certain factors to certain effects by means of
certain principles, to the end that satisfactory explanations and solutions of certain problems may be obtained."\textsuperscript{22}

The provision of these universal statements to guide managers' thinking is usually on the basis of certain common factors that show up in most any management situation. A management philosophy is a coherent statement concerning these factors. These factors have to do with business objectives, standards of business conduct, executive leadership, business policy, business functions, personnel, physical performance factors, organization structure, business procedure and organization morale.\textsuperscript{23} The factors of a management philosophy expressed differently includes "managerial, economic, social, political, ethical and methodological components."\textsuperscript{24} All of these may or may not be found in any given company's statement. The statement may be completely silent on one or more of the factors. When this condition is encountered in a given management philosophy, that particular statement, for the purpose of this project is incomplete. It is not a basis for

\textsuperscript{22}Davis, \textit{Fundamentals of Top Management}, p. 7.

\textsuperscript{23}Ibid.

\textsuperscript{24}Jucius and Schlender, p. 19.
rejecting the particular respondent. Although the document may be incomplete, the questions posed in the problem statements can still be dealt with; admittedly with reference to a limited number of factors.

**Functioning of a management philosophy**

A further definition relates to the entire area of the postformulation phase of a stated philosophy. Such questions as the purpose of a philosophy, how it is employed to fulfill that purpose, and the relationship between the philosophy and policy are all within the meaning of the phrase, functioning of a philosophy of management.

**Objectives**

Business objectives are any values that the business enterprise is required or expected to acquire, create, preserve or distribute. The objectives break down into primary objectives, collateral objectives, and secondary objectives. Primary objectives refer to values provided to the customer. Collateral objectives embrace the values demanded of a personal and social nature by employees and

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the public. Secondary objectives are those values inherent in conditions of economy and effectiveness that an organization needs to enable it to accomplish its mission.

Across this three dimensional arrangement, are certain objectives that are the proper province of a philosophy of management. Other objectives are not considered as part of a formal philosophical statement. Time is the basis for distinguishing between the two. There is a permanency of objectives in a philosophy of management. Such objectives are ideals which are not truly attainable. They are a condition which the management group strives toward.

An example pertains to the collateral objective of profit. A philosophical statement regarding capital returns may believe in a return on investment equal to the long-run market cost of equity capital. If the cost is 10 per cent and the company achieves this rate, then the objective has been attained. However, it is to be attained again next year. In this sense the ideal is not attained permanently.

The objectives that are not considered part of a philosophy of management have a definite calendar date for fulfillment. These time-oriented objectives are
operational. They relate to the functions of the organization. They are the operational enactment of the philosophy of management. They are not part of a philosophy of management in the context of this report.

**Policy**

Policy is the managerial factor which consists of a principle or a group of related principles with rules of action that condition and govern the successful achievement of certain objectives. If one brings together the gist of the individual policy statements of the firm, one has a statement of philosophy. A philosophy sums up the policies of the company. When in written form, there is no doubt about the basic principles upon which the company stands. When not in written form, it is possible to develop the company's formal philosophy by studying its body of written policy.

Policies are guides to action. They are not the action itself. Nor are policies the objectives toward which the action is moving. Policies serve to guide or to

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27 *Jucius and Schlender*, p. 120.
provide the limits of action to the objectives. Hopefully, if the policy is a good one, the action may be more efficient.

Plans

A business plan is the specification of the factors, forces, effects and relationships that enter into and are required for the solution of a business problem. A business problem is the actual or potential failure to achieve a present or future objective. A plan provides the necessary information for the satisfactory accomplishment of the objective.

One piece of information that a plan includes are the applicable policies bearing upon the action prescribed in the plan. The policies serve to regulate and constrain action that might otherwise be taken, with consequent loss of efficiency or other undesirable results.

A plan also has incorporated within it a statement of objectives. An objective is what the plan is intended to achieve. Knowing what has to be achieved makes intelligent action possible. Action can be prescribed in the absence of objectives. However, there is no assurance that the action would accomplish anything. Thus a plan is distinct
from policies and objectives but normally includes both factors.

A philosophy of management and a plan are not the same thing. A plan represents an operational solution to a problem and has a transitory time orientation. It may draw upon basic policies and permanent objectives that have a bearing on the problem at hand to make the plan compatible with organization's system of thought. A philosophy of management on the other hand, includes all the basic policies and permanent objectives. As such it is broader in scope and more permanent time wise.

**Limits of the Study**

It is necessary to explain what this project does not propose to accomplish. A study dealing with the functioning of a formal philosophy management, must necessarily have boundaries, beyond which the investigation does not proceed.

*Functional properties excluded*

This study is concerned with the nature and use of management philosophies. The question of whether the formal statements actually accomplish what they are
intended to provide is outside of the purview of the project. To ascertain the achievement of functional properties it is necessary to devise a distinctly different research methodology. The methodology is so different as to take one outside of the bounds of the project as conceived in this chapter.

Unexpressed philosophies excluded

This project is limited to those empirical situations in which a written philosophy of management already exists. It is admitted that unwritten philosophies are very numerous and these may be the paramount form in which management philosophies appear. It may also be true that unexpressed philosophies are effective in achieving the same purpose as written philosophies. The reason for the exclusion of unexpressed philosophies is the same as for excluding functional properties. The research methodology may be so different as to necessitate a separate project.

The Plan for Research

The methods of research falls into four categories; the source of information, the selection of subjects, the procedure for collecting information, and the method of
analyzing the information. A more detailed description of the research methodology is covered in Appendix A.

**Source of information and selection of subjects**

A source of information was chosen which offered the greatest possibility of being able to find the desired data on management philosophies. The literature indicated that large manufacturers seemed to have done the most on developing formal management philosophies. The Chief Executives of large manufacturers or their delegates were chosen as the source of information since a formal philosophy is largely the responsibility of the Chief Executive. A randomly selected list of 250 manufacturers was developed from the *Fortune Magazine* list of 500 largest American industrial concerns. The Chief Executives of these companies were contacted by personal letter asking whether their company had a written philosophy and if so, if they would complete a survey form to be mailed later, be willing to correspond, and submit to an interview. Ultimately twenty-eight Chief Executives became respondents for the study. These respondents answered the survey form and
twenty-two of them engaged in correspondence. Ten of these submitted to interviews.

**Collection and analysis of information**

The information that was obtained from the respondents was carefully selected in cooperation with the researcher's dissertation adviser, to fill in the gaps or to reinforce our present knowledge of the subject. The survey form was tested on six members of the respondent list. With a satisfactory indication that the form could supply the information needed, the form was sent to the remaining twenty-two respondents. The survey findings were also checked for credence of answers.

All of the information was of a subjective nature. The project did not lend itself to statistical or quantitative methods due to the subjectivity and conceptual nature of the project. The survey answers were carefully grouped according to common responses. The method of doing this was highly judgmental. The method for synthesis is fully reported upon in Appendix E.

The written statements of management philosophy were analyzed for their content matter. This was done by
regrouping the contents of each document under one of eleven major headings or subheadings which represent the major factors of management. The method of doing this was likewise highly judgmental. Appendixes F and G therefore show this process in full.

Interviews were arranged with respondents located within driving distance of Kent, Ohio, the location of the researcher. The interview notes were arranged by subject and reported directly in the chapters which cover the research findings.

During the project correspondence was carried on with the respondents. The content of the correspondence was also reported directly in the chapters which cover the research findings.

The project was empirically oriented. The information was obtained from Chief Executives in large industrial concerns. A survey, interviews and letters were used to collect the information. The information was synthesized according to a conceptual framework and the major management factors, and then analyzed to develop the findings reported in subsequent chapters.
Summary

A research project dealing with the functioning of a formal philosophy of management is encouraged by the recent development of pluralism in American institutional life. The emergence of other strong centers of power causes the corporate manager to reconsider his position, to make his stand known, and to provide a system of thought for his subordinate managers. A research project can appropriately consider what these philosophical statements say and how they are used for the effective management of the economic enterprise.

The investigation necessarily involves the establishment of definitions, limits and research methodology. These provide the fundamental basis upon which the project can proceed.
CHAPTER II
THE PURPOSE AND DEVELOPMENT OF A
PHILOSOPHY OF MANAGEMENT

Introduction

This chapter is the first of two which deals with the functioning of a philosophy of management. Two major sub-topics are taken up. The purpose of a philosophy of management deals with the ends which a formal statement is intended to serve. The development of a philosophy of management deals with the process which an organization goes through in codifying the central values of the management team. The discussion of these two topics draws upon the findings of the empirical search. The complete findings are reported in Appendix E. The findings of the secondary search are integrated to present a unified statement.

Purpose

The definition set forth earlier that a philosophy of management is a "system of thought which provides a basic
guide to, or explanation of, action," provides a starting
point in analyzing the purpose of a philosophy of
management.¹

Delegation of management responsibility and authority
to positions close to the point of performance is a key
principle upon which current management thought is founded.²

The concomitant principle is that the process of delegation
relieves the responsible executive of none of his delegated
responsibility and accountability.³ The delegating execu­
tive needs assurance that the delegate can carry out the
position requirements satisfactorily. A condition of unity
of action is desired. Unity of action depends upon unity

¹Michael J. Jucius and William E. Schlender, Elements
of Managerial Action (Homewood, Ill.: Richard D. Irwin,
The Great Goal of Every Business and Management Philos­

²Marshall E. Dimock, The Executive in Action (New
York: Harper and Brothers, 1945), pp. 112, 174, 178, 181,
199, 200, 219; Frederick Harbison and Charles A. Myers,
Book Co., Inc., 1959), p. 388; W. Warren Haynes and
Joseph L. Massie, Management (Englewood Cliffs, N.J.:

³Harold Koontz and Cyril O'Donnell, Principles of
p. 197; Ralph C. Davis, The Fundamentals of Top Management
of understanding between the two executives, which in turn depends upon a common scale of values.

Under conditions of delegation and in the absence of a common scale of values, there is a potential loss of economy and effectiveness within the management team. A management team which lacks a common scale of values is likely to have symptoms such as friction, aborted action and reversed decisions.

A written philosophy is the basis for the establishment of values within the management group. When a statement is put into writing the first step is taken to get the scale of values on a cognitive level. Without a philosophy of management in writing, there is the potential danger that certain values are not common to the management group. When it is in writing, the values are no longer hidden. They are explicitly stated. When in this form, there is less confusion about the apparent values which mold the thinking and actions of the management team. 4

The making of decisions to resolve problems in particular situations is facilitated by a body of ideas which provide a basis for guide lines covering specific acts of

4 Ibid.
managers. These fundamental concepts provide the intellectual parameters within which managers solve particular problems. Someone has to decide what these ideas are to be for a given management team and once decided upon they need to be communicated to the members of the team. A written statement provides the necessary conditions for the fundamental concepts to be disseminated to the members of the management team. A management team which understands, accepts and supports the ideas, as communicated, tends to find its work greatly facilitated and more effective. The management team operates with greater economy within itself and with greater achievement of organizational goals (see Chart 7, Appendix E).

Unity of thought

The purpose of unity of thought is convincingly brought out by the appearance of phrases in the respondents' survey answers such as, "to explain or inform," "create broad understanding," "to change attitudes," "to


remind," or "clarification of top management position" (see Charts 5 and 7, Appendix E).

Another purpose of a philosophy of management is that it provides a basis for indoctrination (See Chart 6, Appendix E). This is close to the idea of unity of thought and refers to the means to achieve unity of thought. Phrases such as, "to train," "to instruct," "to inform," "to remind," are exemplificative of the idea. It is apparent that the subjects of the research are in accord on this aspect of the purpose of a written philosophy of management.

Unity of action

Other respondents consider the purpose of a written management philosophy less in terms of the way the management team is to think but instead, in terms of how the management team is to act (see Charts 5, 6, and 7, Appendix E). Examples of this view can be seen in selected phrases such as, "for all to follow," "how we propose to get there," "we try to live by," "consistency of action," "coordinated program of growth," "clear lines for managerial planning," or "provide guidance for establishing divisional objectives." This indicates the slightly different idea
that a written management philosophy guides action rather than thought.

Intermediate purpose

A philosophy of management is deliberately written up, "as a means of codifying policies, principles, goals, or objectives in a clear definitive way." The emphasis is upon "trying to capture, formalize or regularize a particular climate or a set of principles which is already understood (even if in only a sketchy or unbalanced way) by at least a few of the firm's management and employees." A written philosophy of management pulls together in a central repository the gist of the way the management team wants to think and operate (see Chart 6, Appendix E). This suggests that the voluminous written material on policy, objectives, procedures, ideals and the like are difficult to sift through to find the essence of it all. It also suggests that the top management group is striving to improve managerial performance. A point is reached when they want to get their central thoughts crystallized in a

8 Ibid., p. 19.
single source which they can refer to later when it is needed or so that they can tell others.

Examples of phrases which exemplify this idea are, "helped our top management think out the kind of company it wanted to be," "to define aims and obligations to outside groups," "provides a consensus of management thinking." This reveals that the respondents view the process of writing the document as the necessary lever toward finalization and agreement. Once the ideas are codified they serve the end purpose of unity. Otherwise, there is no fundamental purpose behind the endeavor. In the absence of the purpose of unity the endeavor is a diatribe.

Practitioners of management consider the purpose of a written philosophy of management to be unity of thought and action. By achieving such conditions, the economy and effectiveness of the management team is enhanced with a salubrious effect upon the achievement of organizational goals.

Regarding the purpose of a written philosophy of management, the following conclusions can be drawn:

1. Satisfactory delegation rests upon a common understanding of desired values. Desired values are not readily
apparent from observation alone. A formal philosophy of management makes a value system more apparent to the members of the management team. Delegation is therefore promoted.

2. Values are one of the fundamental influences on a manager's decisions. Control over the decision process is therefore enhanced by codifying desired values.

3. A formal document promotes understanding since it provides a focal point midst the plethora of detailed material on structure. Since a formal document sets forth only one system of values, it promotes a unity of understanding and thought. With a unity of thought, unity of action is facilitated.

**Development**

The realization of the values which can be gained, forces the question of how a formal philosophy comes into existence. The need is obvious. The establishment of a formal doctrine in the life of the management team is another question. The discussion of the development of a philosophy of management covers the topics of, the

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emergence of the need for a formal philosophy, the methods of initiating the activity, the degree of organizational participation and the stability of the document. These must be dealt with before treating the implementation of the document.

Emergence of need

The need for a philosophy of management may start in organizational change. A need for a formal statement of management philosophy may take place when the firm is shifting from direct leadership to indirect leadership. As long as the personal leadership and close relationship of the founder with all employees is maintained, the founder's business philosophy is picked up by others because of the force of his personality and his position. However, with growth and the increased organizational distance of the founder from operatives and operative management, the force of his personality and the impact of his personal philosophy diminish. Unity of action tends to decline. Attempts are made to overcome the problems of increasing size. Efforts are put forth to develop formal management methods. One part of this effort is the development of a written philosophy of management. A document
that is consciously developed and commonly accepted becomes a partial substitute for the force and effect of the founder of the firm. The precise point in time of such a development is not accurately predictable. It nevertheless takes place. It is a part of our knowledge of business behavior and management.

In the interviews, three respondents indicated that the development of a written philosophy of management took place in reaction to the need to replace family -- non-professional management -- with the more scientific efforts of men who have been trained as professional managers.

It is the unanimous feeling of those interviewed that the need to develop a formal document is a function of the growth, decentralization and the addition of new management personnel. Typical of the comments from interviewees when asked what circumstances cause the development of the document comes from Mr. R. J. Howe of Thompson-Ramo-Wooldridge Company,

Prior to development of the document, the reliance was upon informal management methods. But at about that time came diversification and decentralization. The document came out of the

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need to have control under decentralization. Decentralization is needed because top management cannot get their arms around the whole company, so hold the Division Managers accountable -- quite free to operate within the general framework of the document.

Another comment is offered by Mr. Howard Miller of Marathon Oil Company,

Conditions were ripe in 1961 for the adoption of a platform for the company. The company was going through a period of rapid growth in sales and numbers on the management team. The company had just gone through recent acquisitions bringing new people from other companies into the organization. There was consequently a strain or stress the organization was going through -- understanding was lacking.

The need for top management to have control over subordinate units under decentralization is a cause of the emergence of a formal philosophy of management. Under conditions of rapid growth with decentralization and new members there is a threat to unity unless understanding is developed.

Closely related to the growth of an organization is the increasing awareness of other important parties and the need to define the relationships with such parties. One respondent clearly indicates this to be the case. In this company the public relations director is developing a company-wide public relations manual. A consulting team
suggests that the company develop a philosophy of management before writing a public relations manual. From this suggestion a platform for the company is written. An attempt to develop an instrument for control of corporate public relations may therefore push the development of a formal philosophy of management. Such cases take place in functions other than public relations. They develop out of the need to have an intellectual framework from which to define the desired relationships of the company to other centers of power. 11

It was felt in the original design of the study that answers as were just described, would be given by the respondents. Moreover the emergence of these factors in an organization at some particular point in time was not considered to be predictable. There would be no necessary relationships between such factors and the age of the company.

To be sure that this feeling was true the respondents were asked to indicate when the company was founded and when the document was developed (see Chart 11, Appendix E). The number of years lapsed, it was felt, might be indicative of some basic number of years when the document does emerge. The findings indicated that seventeen of the respondents were between eight and sixty-nine years of age and ten of the respondents were between seventy and 130 years of age when their formal documents came into existence. It was not possible to draw any conclusions. The range of age was too great.

Recency

There is evidence that the development of a philosophy is a trend of the past fifteen years. An American Management Association survey finds that out of fifty-one companies only 12 per cent have philosophies over ten years old. Seventy-five per cent have philosophies for less than five years while 14 per cent have philosophies for five to ten years. This is a reflection of the accelerated interest in general administrative management following World War II. It is also a reflection of the maturation of

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12 Thompson, p. 11.
American management practice. This is corroborated by the empirical findings of this study. As Chart 10, Appendix E shows, in the past ten years, twenty-three respondents adopted a document.

Regarding when the need for a formal philosophy of management tends to develop in the life of a company, the following generalization can be drawn:

1. A document tends to be needed when the organization is growing and it reaches a point when one single individual can no longer be an effective influence on the value structure of the organization.

2. As an organization grows, new management personnel are added. When the speed of growth is rapid the assimilation of new managers into the organization's value structure may not take place unless it is specifically provided for. A written document provides vital support to this effort.

3. As an organization grows, the need for delegation and decentralization becomes greater. Delegation and

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decentralization rests upon a unity of understanding which can be facilitated by a written document.

4. As an organization becomes larger, its actions impinge upon, and become challenged by, other external centers of power. The need to declare the relationship to such centers, and underlying rationale for the company's behavior causes the need for a document.

5. The emergence of formal philosophies reflects the post-World War II maturation of managerial thought.

6. There is no predictable relationship between the development of a philosophy and the age of a company.

Methods

Initiation of the project. The development of a formal philosophy is the province of top management. "It is at the top that the philosophy of an enterprise tends to be established and consciously kept in mind." 14 The American Management Association survey supports this assertion by finding that the positions of chairman, president, or vice-president initiate the idea for a philosophy. 15

14 Jucius and Schlender, p. 20.

15 Thompson, p. 12.
In the empirical findings there is no substantive disagreement with the secondary findings. It is interesting to note that for two respondents the suggestion to write a formal philosophy comes from outside consultants to a top level official of the company. In the example cited previously, the company is engaged in trying to write a public relations manual. For another company the consultant is engaged in a study of the management organization. In both cases it is necessary for the top managers to define their philosophy before the consultant can proceed. For three of the respondents the president of the company starts the idea by actually writing the initial draft.

**Initial difficulties.** The period which precedes the actual writing stage may be several years. The chief executive or someone near to him, or perhaps a group of high level managers, mulls the idea over. This period of incubation is necessary due to the difficulty of the undertaking. This may cause the project to stay in this stage indefinitely with actual writing never really taking place.

One interviewee in explaining when his company's document came into existence at the time that it did,
expressed the difficulty of the undertaking:

A platform is slow to develop in many companies because it is abstract work. It is highly intellectual; not a very popular activity.

The nature of the activity therefore explains why more formal philosophies are not apparent in industrial practice.

To be discussed later in the next chapter is the relationship between the philosophy which is broad and conceptual and policies which are more specific. The discussion shows that a direct relationship between the document and policies is difficult to establish at times. The temporality of policies versus the permanence of the philosophy may also explain the delays in developing a document. Management finds it easier to deal with that which is immediate. Cause and effect is easier to establish between specific policies and results. It therefore is more popular for managerial thinking and time. The difficulty of seeing cause and effect relationships between the philosophy and company results also helps to explain the difficulty of getting under way initiation of the project.16

Overcoming the difficulties. In view of the difficulties of getting the project initiated, the question with the interviewees was whether they knew how these difficulties could be overcome. The answers can be summed by the remarks of one interviewee whose company developed its document relatively early, in 1919.

What is significant about the document is that conditions existed to permit the development of guidelines of a most general but significant nature. It was the attitude of our chief executive -- he was the kind of person who encouraged the development of central values. In our case this was the founder of the company who felt that relationships were primarily relationships between people and as such they are built by fostering these relationships.

Persons at, near, or associated with, the top echelons of the organization initiate the idea for a formal document. It is here that a need for control over the total enterprise is readily apparent. Even though the need for a formal statement may be apparent, its development may be impeded or prevented by the abstractness of the task or by the absence of top executives who perceive a business enterprise as fundamentally relationships between people.  

Structure for writing. The organization structure for writing the philosophy is an interesting aspect of the functioning of a philosophy of management. The American Management Association survey reveals that 30 per cent of the fifty-one respondents indicate that the president actually writes the document. Twenty-five per cent use a committee. Other officers, including vice-president account for 26 per cent and the chairman for 5 per cent, with 14 per cent in the miscellaneous category. 18

These findings were supported by the primary evidence, obtained in the interviews and by correspondence, with one notable exception. One respondent hired a consulting firm to write its philosophy of management. The consultants drew upon their extensive experience with the client and summarized the main values of the management group as they understood them to be. The document was presented to the Board of Directors and was adopted as the company philosophy. This suggested that it was not so important who wrote the document but rather who had the best command of the value structure of the management group.

18 Thompson, p. 13.
Participation. The American Management Association study reports that members of top management participate in the process of codifying the value structure of the management team. These include Board Members as well as those who report directly to the president. Participation is thus limited to a few persons.

The entire employee force has been given an opportunity to participate by questionnaires. Such cases have been the exception rather than the rule. Only one respondent in this study indicated any degree of participation beyond members of top management. This respondent was asked whether widespread participation was of benefit. He replied that top management really knew what they wanted to put into the document. The information received from employees, however, caused them to reconsider certain paragraphs, to strengthen wording and to add additional thoughts that were not part of the original draft.

The benefits of participation being rather obvious caused a deeper query as to why more companies did not go beyond the top management group in getting reactions to the document. Several respondents thought of the philosophy

19 Ibid., p. 13.
primarily as a tool to aid top management in their thinking. The philosophy was implemented, in their opinion, to aid thinking at lower levels by policies and more specific rules of behavior. To another group, top management felt as though they pretty well understood their organization and that there was no need for obtaining other than top management's participation. Still another group expressed doubt whether the methods of getting participation beyond the top level were reliable enough to use the information for guidance in preparing the document's contents.

In view of the diversity of the answers to the question of the degree of participation, the writer suggests that the weight of evidence seems to rest with the group which favors limited participation. This is especially true if the document is viewed as an instrument of change. That is, the top managers, in trying to bring about change in the organization, have to first understand each other and what central values they desire to hold to. Perhaps this is the most that can be hoped for initially. If this can be achieved in the process of preparing the document, then the process of policy implementation makes the philosophy evident to lower management and operative echelons.
A reliable conclusion is that there is participation by all companies at least with the top management teams. The members of the top management team do offer comments and suggestions as the document is drafted. In so doing the chances are greater for obtaining support of the document within the immediate echelons. The conclusion that the president or chairman prepares the document on a unilateral basis is certainly not supportable from any of the empirical or secondary evidence in this study.  

Role of the Document in Organizational Change

A formalized philosophy of management may be thought of as an instrument to aid in changing the value structure of the organization. This study finds that it is necessary to distinguish between short run change and long run change in order to ascertain what a document can and cannot accomplish.

Short run

An organization cannot likely be changed in its thinking in the short run. The respondents say that a chief

executive is foolhardy to try to use a document for this purpose. One respondent sums this line of inquiry:

Our new president of a few short years ago was a production-oriented figures man. During his administration, the policies received little attention. His successor upon being elected, gave the policies much more attention. The former could not change the policies in his short reign of four years because he could not change people.

In this case the company had a long-standing and accepted philosophy of management which was called "policies." The policies gave a great deal of emphasis to collateral personal service objectives of employees. A new president was not in sympathy with the "policies." He therefore tended to ignore them. He emphasized instead technical performance as a primary point of focus, rather than the integration of interests. His successor was indoctrinated with the "policies." He gave them a great deal of stress. Today, according to the respondent, one would not know the company ever had a president who had a personal philosophy which conflicted with those of subordinates. In this case the president ignored the prevailing philosophy in the organization but he could not change it in the short run.
After the fact

If we presume a situation in which a document is being developed within a given management team, participation in its development is solicited and strong disagreement develops on the content of the document. Unity of thought in fact does not exist among those developing the document. The respondents are together in their reaction to such a situation. They feel that disagreement is not likely to occur. The act of putting the document in writing represents a mere codification of central values which everybody on the top management team knows about and accepts in large part. Putting the central values in writing adds nothing that does not already exist within the team. The contents of the document are an established tradition long before being put into writing. The statement is after the fact. The statement in this sense cannot be an instrument of change.

A formal philosophy of management is not promulgated for the purpose of bringing about a quick change in the thinking of the management group. If the document is developed by the chief executive alone, as the official doctrine of the company, and if it conflicts with the
central values of the other members of the top management team, it will tend to be ignored, resisted or accepted against their will. If the latter, this is certainly not a condition of unity of thought and therefore null for that purpose. If unity of thought is necessary to have unity of action, then unity of action cannot take place if acceptance is against personal will. If the thesis is not accepted, then unity of action can exist without unity of thought. In such a case the persons accepting against their will, probably will not have the quality of action that the others may enjoy. If the document is ignored or resisted, the alternative for the chief executive is negative measures. Such a situation works against the very idea of unity of thought. Unity of thought is the antithesis of management by decree, threat or coercion.

Long run

The practitioners who participate in this project indicate that the development of central ideas, takes place over time by discussion, negotiation and mutual solution of

operational problems. As one respondent expresses the idea;

If we have two or three persons in the executive committee who we consider to be out in left field, we work on them every time we have a chance. Eventually they begin to see the merit in the concensus of opinion or they change our minds. Certainly we will not change their minds by handing them a piece of paper which represents the gospel of the company. They must be convinced.

The instances reported when disagreement develops on matters of basic philosophy are very few. This is because the members of the top management team are members of the organization for a long time. They are indoctrinated in the philosophy of the company whether it is written or unwritten. The respondents feel that the real instrument of change in beliefs in the short run is not the formulation of a written philosophy of management.

In order to obtain a short run change in thinking among the immediate members of top management, it is necessary to select men for top management positions who are indoctrinated in the desired philosophy. Their value positions, whether they come from inside our outside the organization, or whether long time employees or not, must be in common with the existing or desired value structure in order to have a unity of thought. This is accomplished
by processes of personnel selection rather than by any perceivable use of a formal philosophy of management.

In order for a formal philosophy of management to develop, there has to be commonality of thinking at least by the few members of the top management team. If commonality does not exist, participation in the development of the document cannot take place. If participation cannot take place then there is no assurance that the document represents the position of top management. Given commonality, it is possible to use the document as an instrument of change for the rest of the organization if a long range point of view is taken. The prevailing values in the organization can be changed and others put in their place by indoctrinative techniques, managerial actions, and in policy administration.

Stability

Resistance

Once a philosophy is developed, the company has a statement of basic beliefs, permanent objectives and ideals. If the philosophy is broad enough there is little need for changing it. Such statements as "fair wages,"
"reasonable return on investment" and "to serve customers," are perpetual ideals that are not easily changed either because of potential embarrassment to the company or because of resistance to change.

Social context

Further, if the contents of the statement are drawn in the light of the demands upon economic institutions by society, then one does not expect the statement to change. The concepts held by society tend to be relatively stable. In the survey, nineteen respondents indicate no change has taken place in the document since its inception (see Chart 8, Appendix E). This supports the thesis that the document is not subject to any marked degree of change in content. Of the remaining nine respondents a close examination of the answers, which explains what the changes are, causes the observation that for these nine companies the basic conclusions also apply (see Chart 9, Appendix E). Four of the companies report changes that are only editorial in nature. One respondent reports changes to show accomplishment toward previously expressed goals. Another respondent in a stage more advanced rewrites his document to appear as principles rather than accomplishments.
Three of the respondents report changes in their documents to reflect additions to the scope of business activity. Certainly the latter are so basic as to require changes in the document. These changes, however, are additive rather than corrective. Even in these cases the basic assertion still applies.

From the empirical search and the secondary inquiry it can be concluded that changes are seldom made except for minor revisions. When real revisions are made they are made in reaction to some basic change in the company or in the external environment.

The main points in the development of a formal philosophy may be stated in the following way:

1. The project is initiated by a person at or near the top of the organization structure.

2. The writing of a formal philosophy is difficult since it deals with abstractions.

3. The development of a formal philosophy may or may not take place, depending on whether or not the chief executive primarily views the enterprise as a human system (versus a production or economic primary point of view).
4. Persons who actually write the document are those who are at the top of the organization. This may be an individual or group. Those who have the best command of the actual or desired value structure should prepare the initial draft.

5. Participation in developing the content of the document is limited to a few top managers.

6. A document may be developed to bring about change in the value structure of an organization. The document is useful if the desired change is seen as taking place in the long run. The document is not very useful for such a purpose in the short run.

7. The content of the document is relatively stable, subject to change only when basic changes in the external environment take place or when the organization goes through basic changes.

Summary

This chapter presents the findings on two elements of the functioning of a philosophy of management. The work of the top management team is facilitated by conditions of unity of thought and unity of action. The ultimate purpose of a written philosophy of management is to provide a
document which supplies the conceptual basis for developing a unity of thought and action.

An immediate goal is to crystallize the thinking of the top management team. The process of developing a management philosophy accomplishes this.

A management philosophy develops out of an awareness of a need for it. Internally the need is caused by organizational growth and the desire to delegate greater responsibilities to subordinates. Externally there is a need to declare the company's relationship to other centers of power. The development of a written management philosophy is largely a recent phenomenon reflecting the increasing maturation of industrial management in America. The project is usually initiated by the chief executive of the company. It goes forward if the chief executive is the kind of person who believes that group action rests upon the acceptance of certain common ideas. The development of the ideas which fit a particular management group is slow to take place because of the abstractness of the mental activity. The members of the top management team participate in the preparation of the statement. Once the
statement is completed it tends to have content stability, subject to change only when the concern itself undergoes fundamental changes or when societal values shift, necessitating a reaction by the firm.
CHAPTER III

IMPLEMENTATION AND EVALUATION OF A

PHILOSOPHY OF MANAGEMENT

Introduction

This chapter is the second of two which deal with the functioning of a philosophy of management. Having discussed the purpose of a written philosophy of management and its development in the preceding chapter, this chapter takes up the remaining subtopics. The implementation of a philosophy of management deals with the use of the document to achieve the purposes of the document. The evaluation of a philosophy of management deals with whether practitioners have any formal method by which the set of central values is evaluated as being directly beneficial to the success of the enterprise. These two topics are discussed similar to the manner of Chapter II. The secondary evidence and the empirical findings are presented together to present an integrated statement.
Implementation of a Philosophy of Management

After top management goes through the task of developing a philosophy of management, the natural question is how the philosophy is used for the benefit of the company. Certainly some increased achievement of objectives is anticipated or the group may not start the project in the first place. With the anticipation of certain benefits, the top managers may take definite actions to use the philosophy after it is written. Such actions center upon indoctrination for unity of thought and action, and the administration of policy.

Indoctrination for unity of thought and action

One use to which a philosophy may be put directly is indoctrinative in nature in reaction to some known deficiency in meeting business objectives. There may be the realization that the company is failing to fully satisfy the interests of certain groups associated with the concern. The deficiency may be detected by observations of line or staff personnel. Once these observations are communicated to top management, and an analysis of the situation made, the deficiency may be traced to a failure to present top management's point of view.
On the other hand, there does not have to be a known deficiency. The need to present top management's point of view is a constant need. In large organizations, with long chains of command, top management's point of view is not easily revealed to the interests which make demands upon the organization. There is a need for top management to state its case. It is difficult to reconcile the claims of certain interests so long as the fundamental basis for action is not explained. Explanation may not be enough however. Understanding and acceptance are needed. The achievement of understanding and acceptance involves the process of indoctrination. A written statement of management philosophy provides the doctrinal substance of what is to be inculcated in the minds of individuals or groups. A written philosophy which sets forth a scale of values in relation to basic factors, finds implementation then, in the process of indoctrination.

Methods of indoctrination. There is a variety of ways for top management to use the written philosophy to achieve unity of thought. A popular way is to display visually the company's philosophy on the interior walls of the premises.
This suggests a prevalent criticism of how companies implement a philosophy of management.\(^1\) By placing the philosophy in a frame and neatly hanging it on the wall, the implication is that, as a picture is used, so is the philosophy -- as an item of decoration. If a philosophy is used only to adorn either the walls or the repertoire of management practice, its value may be negligible.

Contradictions probably exist if a philosophy is used solely to embellish the walls of the plant. If the philosophy is used in other ways, displaying it on the wall may be a desirable adjunct to other devices.\(^2\)

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\(^2\)A company has had the practice for years of placing the company's philosophy on the walls of the physical plant. The researcher in visiting the premises of the company while this project was being carried out noticed that the document no longer was on display. Upon inquiry the researcher received a reply that adds insight to the implementation of a philosophy of management. As was explained by the interviewee, there was a time in the history of the company when the ideas embodied by the document were not well known or accepted within the company or in industrial practice generally. Today the ideas in the document are deeply ingrained in the thinking of the management team and so well accepted in wider circles that it is no longer necessary to resort to hanging the document on the walls of the physical plant.

As the interviewee explained, the management team felt that the organization reached a point at which the central
A second method of indoctrination for unity of thought is to include the document in printed materials that are a normal part of the administrative tools in business. Ideas were so much a part of every man and no longer unique that formal dissemination was no longer necessary.

After initial indoctrination took place, new men to the organization absorbed the philosophy by exposure to more ingrained individuals. The interviewee agreed that this line of reasoning was safe so long as there was no rapid change of personnel, relative stability of sales volume and no obsolescence of philosophy. In his company such conditions prevailed.

The practice of this company in developing its philosophy, using it for formal indoctrinative purposes, then disbanding the practice after indoctrination is accomplished, suggests that the original emergence of a philosophy is necessary to accomplish indoctrination. The need for a formal philosophy becomes apparent under conditions of growth and additions of new personnel to the organization and a desire to change prevailing values. Once a philosophy is developed, and it is used to handle such conditions, and if indoctrination does take place and if such conditions then disappear, then it is plausible that the document is no longer necessary to a formal part of the administrative apparatus of the organization. It is not likely that such a case with all these "givens" occurs very frequently. The document being overt in most organizations is therefore the more likely circumstance. The major danger is that, allowing the philosophy to be implied, removes it from scrutiny. So long as it cannot be observed in writing, it is more difficult to analyze and study. If this cannot be done, there is no direct way to know if the philosophy is changing or if it is becoming obsolete. And yet change and obsolescence are known to take place. See Stanley E. Bryan, "Dynamic Leadership Needs a Sound Base," Advanced Management, XVII (September, 1951), 4-7.
organizations. The practice is to include the document as a page in the employee handbook, supplier's manual, and organization manual as well as functional manuals such as sales manuals, production manuals and purchasing manuals.

The document may also be used in institutional advertising, directed toward a particular audience, or the general public. Stockholders are reached by printing the philosophy in the annual report.

The extent to which these various devices for indoctrination incorporated the company's philosophy of management was a matter of inquiry in the empirical research. The survey therefore tried to obtain evidence on the question. The findings indicated that the house organ, the employee handbook, the organization and the policy manual were the most frequent places in which the document is placed (see Chart 12, Appendix E). This finding was not surprising since the first three of the printed materials set forth relationships between people whereas the policy

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manual would set forth relationships of people to ideas. The idea behind insertion of the complete document in these publications, was that these publications were also the most pervasively used when viewed compositely on a company-wide basis by the most members of the operative and executive team.

The manuals into which the document is placed, are for the guidance and information of lower-level persons. Since these manuals alone are for the purpose of guidance it would appear redundant to include the philosophy in the materials. One explanation is that the members of top management feel that the specific guidance tends to be more accepted if top managers show what they use for guidance in preparing the manuals. Even though the reason for specific guides may not be very understandable by themselves, when coupled with the document the possibility for understanding is better than if the document is not distributed with the manuals. There is proof that top management has a set of central values which they attempt to hold to. This provides a more favorable reaction upon the

reader than if the document is not there. In the absence of the document there is nothing to prevent the reader from concluding that top management acts on the basis of trial and error or expediency or that basic values are not held by top managers. Basic values may exist but from a lower-level viewpoint there is no evidence. The reasons for inserting the document in these printed materials are thus varied and quite valid even though a superficial consideration may cause one to conclude otherwise.

Audiences. An important question in the implementation of a written philosophy of management for purposes of indoctrination, is the audiences to which the companies direct the document. It was established earlier that a primary audience is the company's own management group. The managers alone constitute a small segment of the total organization. Operative employees are also subjected to the document. The reasons why only a few companies expose operatives to the document is provided by the interviews.

One answer is that the company is so highly decentralized that only the divisional managers receive copies of the management philosophy. The division managers are

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encouraged to distribute the document further and to use it in operative training but there is no uniformity of practice. There is no attempt to force distribution or usage. Copies in the numbers requested are sent to the divisions.

In another category of answers the view is expressed that managers are the official representatives of the company to operative employees. The actions of managers are a strong influence for transmitting the philosophy of the company to employees. Since it is strong, it is a major source from which subordinates draw their conclusions. The written document does not have as much influence and therefore tends to be ignored if it conflicts with the actions of managers as seen by operative employees. If it conflicts, the dualism causes confusion to operatives.

If top managers believe that subordinate managers' behavior more consistently reflects the document than not, then the argument for distributing the document to everybody is convincing. The extent to which the document receives internal distribution therefore is a function of the degree to which it is felt that managers at all levels
are indoctrinated and that a unity of thought and action exists.

Better than half of the twenty-eight respondents' documents are in a format which indicates that the document is a piece of literature standing alone, for distribution independently of other printed materials. The attractiveness of the formats is striking. For indoctrinative purposes, it is quite clear that such documents are intended for more than an internal audience. Many of the top management teams consider indoctrination as being to more than the employee force alone. The only resolution to this question that is offered by the interviewees is the same rationale as that in the preceding paragraph. If top managers are convinced that the current company practice reflects the document, then it is used externally. If not, then it is kept inside.

After a philosophy is codified it can then be put in written form. Many of the respondents consider this to be one of the prime virtues of a written philosophy. Only by having a written philosophy is it possible to obtain wide distribution. Whether it is used for wide distribution because it is in writing or whether it is put in writing to enable wide distribution, is a moot question. The
experience with the interviewees, leads to no resolution. Three of the respondents indicate that the document is in writing at the request of the company public relations director. Two others indicate that the public relations director takes advantage of the written document but that he had nothing to do with getting it formalized. It is possible to conclude that a written document does enable a wider audience regardless of the initial impetus to formalization (see Chart 13, Appendix E).

The audience to which the company addresses the document is thus a function of several factors. The degree of decentralization is one factor. Indoctrination is one of the elements of managerial responsibility which may be delegated to divisional heads. The primary decisions as to the degree of indoctrination which takes place may be made by the division managers. The audience for the program of indoctrination, can be limited to divisional managers or go beyond to divisional operatives depending upon the prior decisions that are made on the authority for indoctrinative efforts. The audience is affected also by the degree of indoctrination which top management feels has already taken place. If managers' actions reflect the
document then it is safe to disseminate the document to operatives. If the total organization is well imbued with the document, then it is safe to disseminate the document to external parties.

The implementations discussed so far rely upon the printed word to get the company's beliefs across to the reader. Reliance is placed upon the audience reading the printed statement. The effect if it is read, is that the reader now knows what management says it believes in. No assurance is provided that the recipient accepts what is said in the document. Nor is there any assurance that this is the only company influence that the reader is subjected to which comes from a different power center and causes a different and perhaps conflicting molding of his attitude toward the company.

Of great importance, is whether managerial actions exemplify the written philosophy of management. Toward such an end, the philosophy of management may be incorporated into training sessions and meetings of executives and operative employees.\(^7\) Such action serves to get the philosophy from a written level to a verbal level. This

\(^7\)Jucius and Schlender, p. 25.
provides greater assurance that the philosophy is understood, accepted, and embodied in management actions.

**Formal training.** The respondents show that the line and staff managerial personnel are the primary groups toward which training in the company's philosophy is directed (see Charts 13 and 14 in Appendix E). This is an expected outcome since it is the managerial group which is expected to make decisions within parameters as provided by policy. A significant but fewer number of respondents indicate that the document is used in training of manufacturing and marketing operative personnel. The purpose of such training presumably is that operative personnel come to understand better the decisions of managers if the operatives receive exposure to the central value structure of the management group.

**Operational emphases.** Aside from the formal training sessions, there is the category of operational meetings of all kinds which are used for unity of action. Included in this category are periodic meetings for appraisal of total company operations and the establishment of plans for the future. One respondent has what is called a "key club." This is a group of designated key executives who meet five
or six times a year. A regular part of the meetings is devoted to the review of certain policies which the members feel are in need of consideration. The content of these meetings is to be discussed by the members of the club with subordinates upon return from the meetings. All of the interviewees indicated some kind of such a periodic executive committee meeting as a vehicle for indoctrination.

Several respondents hold an annual retreat at a bucolic location spanning several days for the purpose of review, appraisal and planning. In these meetings each policy area is intensively reviewed. In addition forums are held yearly by the heads of the different organizational functions with lower echelons for the same purpose. Certain respondents bring together the men in the middle ranks who show promise for greater leadership. In such meetings an intensive program is conducted by top managers dealing solely with the company philosophy.

Several interviewees describe the new employee orientation meetings as a vital part of the indoctrination program. Practices vary however, as to the personnel such meetings are held for. All of the interviewees did report such meetings for newly hired management trainees. The
emphasis in these meetings is on providing favorable first impressions of the company as well as providing a conceptual framework upon which the new employees can add greater detail later. There is no better place therefore than in an orientation meeting to devote considerable time upon the company's formal philosophy of management.  

One respondent reported a unique practice on the use of meetings for indoctrination. In this company, which considered itself as a decentralized organization, the chief executive and central staff executives were concerned with the lack of consistency in indoctrinative practices by the decentralized divisions of the company. The concern was with follow through by divisional management of attempts at indoctrination by the central staff group. The attempt to overcome the lack of consistency was to hire an outside training group to develop a program of "high psychological impact" in an effort to make all company personnel more familiar with the company's philosophy. Despite the interesting questions raised by this example of the relation between decentralization, the use of outside

groups and indoctrinative practices, the more basic question was the primary source of the indoctrinative effort.

The interviewees are in accord that the indoctrinative effort starts with the central executive group. It is at the central staff level that the initial impetus to achieving greater total organizational unity takes place. For it is only at the central staff level that the totality of the organization is seen and for which indoctrination can be planned.

**Communications.** Much of the discussion with interviewees dealt with the various ways to achieve internalization of the document. The interviewees repeatedly stress the importance of communications which flow freely in the organization. The interviewees make the point that indoctrination in the central values of a management team takes place to a great extent by individual interaction. The natural exchange that takes place is a great aid to indoctrination. Constant transfer of ideas is critical to the process of indoctrination. A continuous interchange of the central value system of the company to those who are newer to the organization from those who have more experience, is a major means of indoctrination. The nurture of
this method is done by encouraging open communication between managers.

Regarding indoctrinative efforts, a number of conclusions are possible:

1. In large organizations, there is a need to have the fundamental precepts behind managerial actions understood and accepted. This involves some attempt to indoctrinate those persons whose understanding and acceptance are needed.

2. A common method of indoctrination is to incorporate the document in printed materials that are a normal part of the administrative manuals of a large organization.

3. The audience which is exposed to the document is influenced by several variables, the most important of which are:

   a) Degree of decentralization. If indoctrinative responsibilities are delegated, then the persons to whom the delegation is made are the primary audience of indoctrination by top management.

   b) Extent of present indoctrination. If the content of the document is well imbued into the members of the organization, then it is safe to freely distribute
internally and externally because managers actions and statements of belief tend to be consistent.

c) Written or unwritten. A written document makes possible a wider audience.

4. In the development of leadership capacities, the managers may be exposed to formal training efforts. Part of the content of the training programs, for trainees at all levels, is the formal philosophy of management.

5. The value structure of the organization is kept alive and more deeply entrenched in the performance of the tasks of management. The indoctrination of a philosophy takes place while the affairs of the organization are actually being guided. Indoctrination has a definite operational emphasis.

6. A requisite to indoctrination on the operational level, is the freedom for inquiry and communication which the members of the team feels that exists.

Policy administration

The incorporation of the written philosophy of management into the management processes at all levels is the area of most apparent fruitfulness. Only by actually using the philosophy in the management process, can the actions
of the company embody the philosophy. There is secondary evidence which suggests that such practices are desirable.\(^9\)

A philosophy of management finds operational expression in the policy statements which are for the guidance of subordinate level managers.\(^10\) As the point of operative performance is reached, the policies are implemented by rules. Both policies and rules are for repetitive situations. Rules are more specific, requiring little interpretation. This relieves the operative manager or operative employee of the necessity of making judgments which they may not be qualified to make. Control is maintained in this manner.\(^11\)

In non-repetitive situations, a decision against the background of the philosophy is made by top management. If it appears that such a situation is to be repeated in the future, the decisions are adopted as policy with implementation by whatever rules are necessary at lower levels of management and operative performance. Thus the

\(^9\)Juicius and Schlender, p. 25; Joynt, pp. 11-13.


philosophy is implemented by the chain of philosophy-principles-policy-rules, representing the guides that exist for behavior at the top, middle and lowest levels of the organization.  

**Policy and the formal philosophy.** The idea that policies find their genesis in the company's philosophy of management has reinforcement in secondary literature but not in previous empirical studies. From this study certain definite conclusions which support the secondary literature can be drawn concerning the relationships between a formal philosophy of management and implementation by policy. From an examination of Charts 14, 15, 16 and 17 in Appendix E and the supporting comments, it seems safe to conclude that practitioners view the philosophy as being implemented by policy, and that the document provides the conceptual source of policy.

**Methods of direct implementation.** The popular method of implementation is by the use of functional policy

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12 Ralph C. Davis, *Fundamentals of Top Management* (New York: Harper and Brothers, 1951), p. 172; Jucius and Schlender, p. 120.

manuals in looseleaf form (see Chart 12, Appendix E). Several respondents indicate that instead of manuals a simple corporate policy bulletin system is used. As the need for policy pronouncements becomes evident, the policy is formulated, and appears as a page in the functional manuals, or in other companies, as a policy bulletin. The bulletins, are maintained in a file drawer by functional or alphabetical index. The policy pronouncements are released by a central staff group or by a central group such as the executive committee. The policy pronouncements in all cases are signed by the President or Chairman.

The persons to whom these manuals or policy bulletins are sent are limited in number. In not one case do the addresses exceed 200 executives in the management structure. The audience for the implementing policies is small. The explanation is that the content is considered confidential. They contain ideas that can be damaging to the company if they get into the hands of competitors. A more important reason for the contents being considered confidential has to do with the capacity of the readers to understand. For the contents to be read by anybody but a relative handful of important men, they can be taken the
wrong way. A non-informed reader could take the contents
the wrong way out of naivete. He is not sufficiently
informed to understand the instruction. This same idea is
expressed in a similar way by one interviewee whose company
distributed the detailed policy to only ninety-four persons.

It would be of little value to distribute the
policy bulletins to a wider audience because only
a relatively few managers have a sufficiently
strong understanding of the specifics of the
total company to clearly understand the policy
bulletins. They just would not make sense to
anybody else.

One criterion for establishing the list of persons or posi-
tions in the organization to receive the implementing
manuals or instructions can be taken from the foregoing.
Distribution is limited to those who have sufficient
familiarity by virtue of organizational position to under-
stand company-wide considerations. If a person occupies an
important organizational position, he attends company-wide
planning and control meetings of top executives and has the
necessary familiarity with organizational specifics to
understand the bulletins.

The need-to-know criterion is suggested by several
interviewees. Under this standard, there are many policies
which pertain to only one department. Only a few people
really need to know of such policies. This is especially true of accounting and financial policies. Certain policies pertain to all managers; especially is this true of employee relations and public relations. In these latter instances, the policies are sent to a much wider audience. More detailed implementation of a formal philosophy clearly takes place but the recipients are carefully selected on their ability to understand and a need to know such details.

For all the companies which were interviewed, there is a person at the central staff level responsible for keeping the list of recipients of the manual and bulletins up to date and for distribution of any new releases. This activity is most frequently assigned to the organization planning director, the director of organization, or the wage and salary administrator.

The policy dissemination process leads logically into policy enforcement. The interviewees are in agreement that the only way to keep policy useful to the company is to enforce strongly those policies in existence. In fact three of the ten interviewees report that the company internal auditors staff is required as a part of their
regular assignment to look for observance of stated policy and to include this in their reports. The basis is thus established for review and appraisal. One interviewee referred to enforcement of policy as the process of "self-purging," that is, the body of policy stays alive by enforcement. Out of date, obsolete and unused policies do not remain when they are enforced. They cannot remain because their uselessness becomes obvious in the process of enforcement, leading to abandonment or change of the policy.

Policy change. The extent of change between the formal statement and the more detailed implementation was a matter of inquiry during the interviews. The concensus was that the statement is an almost permanent document, little subject to change thus confirming the secondary literature and the findings from the survey ¹⁴ (see Chart 8, Appendix E). However the implementing policies were subject to much faster and more radical change. The organizational unit which makes such changes is the same unit which formulated the policies in the first place -- a group known by various

¹⁴Bryan, pp. 4-7.
titles, but which is best described as the executive committee.

The need to change a given policy is known by the frequency of requests for exception to the policy. Repeated requests to allow a deviation from a previously described policy is a clear indication that the policy is not soundly conceived or that conditions underlying the original development of the policy have now changed.

Several interviewees mention that sole reliance upon this method of policy change is not enough -- that managers may try to live with a policy that is long since unworkable rather than to request a change. To overcome this possibility, each member of the executive committee or some central staff chief is responsible for a defined policy area. These men are responsible to review their areas periodically and to recommend changes and deletions of portions that need such attention.

New policies represent greater elaboration of the formal philosophy of management. The only useful generalization that comes from the interviews is that such policies are developed as the need arises. The need springs from existing or anticipated long-run problems.
The group of top managers who meet periodically, individually prepare for each meeting. This preparation may culminate in a required report to the Chief Executive prior to each meeting. The Chief Executive selects from the reports of each person those which are to be given consideration at the regular meeting. From such reviews of operational problems come changes in current policy or development of new policy. The specific ways in which this process is carried out is not identical for any of the respondents. The foregoing merely tries to describe in general the workings of a central group of top executives who have the responsibility for policy formulation and review.

An example of a recent change in policies was provided by one respondent. The company was faced for several years with a steel market in which the supply of steel was short compared with over-all demand for steel. It was necessary to have a set of marketing policies which provided for a fair allocation of available steel to the companies' customers. When the market softened the company's policies had to shift since the market no longer was in short supply. The shift was from allocation policies to those policies
which emphasized market penetration and movement of inventories. During the period of three or four years of policy revisions the document remained the same as to certain basic ideas on customer service.

Policy is constantly shifting to keep the company in the most advantageous position toward the many short run forces which affect the health of the firm. The statement of philosophy on the other hand tends to be relatively stable since it is based upon relatively permanent values of an enduring nature.

When the company is considering a major venture or a new course of action not previously embarked upon, there is probably a lack of formulated policy to provide guidance for the venture. The only tangible guide which top management has is the statement of management philosophy.

From the philosophy, a set of new principles are developed which provide the guidance needed in planning, organizing and controlling the venture (see Chart 16, Appendix E). The document thus plays an operational role of being a "back stop" for intellectual activity. A management team which is well indoctrinated with the contents of the document is enabled to make decisions in the absence of policy
guidance since the spirit of the document tends to pervade everybody's thinking. By direct reflection of the ideas in the document a manager's thinking finds a starting point from which to think about new policy. For those management teams which are undergoing rapid expansion, which have other dynamic elements, or which do not have a complete body of policy already in existence, a formal philosophy of management upon which to base new policy would be of value.

**Policy enforcement.** The respondents are unanimous in saying that a policy violation is not looked upon with favor. The top managers are of a single mind in saying that policies are made to be followed. Policies based upon the formal management philosophy are developed with a definite purpose. That purpose can only be achieved if the policies are followed. If the purpose is still valid then there is no plea for not following the policy. By managers following policies, a basic philosophy can be enacted. In this way unity of action can be obtained. If the foregoing reasoning is valid, the manager is in a dilemma. Strong positions on policy adherence may lead to uniformity.

In the desire to develop a definite unity within the organization and at the same time to avoid the development
of uniformity, the respondent discriminates between action that leads to the former and action that leads to the latter. The avoidance of the dilemma is not as is commonly assumed, to phrase the policy so broadly or to be so flexible in policy enforcement that there is in fact no guidance or unity of thought and action. Rather the dilemma is avoided by clearly enforcing the policies so that every manager knows that policy violations are looked upon with disfavor. By doing this policies remain useful to the organization. However the maintenance of useful policies and the avoidance of uniformity can be achieved by fostering other conditions. One such condition is a policy that dissent by managers is encouraged. Coupled with this is a provision in a manager's periodic appraisal for the amount of initiative shown in disagreement with existing policies and the soundness of his reasons. The top managers are saying that policies are to be followed. If they are not workable top management wants to know why they are not workable, with recognition provided to those

who contribute to keeping policy alive and useful in the organization. 16

Allied to the foregoing, is the idea so well expressed in an interview with Maurice Wyss, Assistant to the President of General Motors, when he uses the phrase "communications dependency." Successful establishment and nurture of a philosophy of management that fits the need of a business organization depends critically upon the freedom for multidirectional flow of ideas. The atmosphere where men feel few impediments to disagree with the prevailing policies is a necessary condition for implementation of a philosophy of management through policies.

Built into the program for policy administration are the elements which assure that insistence upon unity does not lead to uniformity. The encouragement of dissent while at the same time insisting upon policy adherence, provides a mechanism for making sure that policies do not become obsolete. Policies cannot become obsolete so long as managers are encouraged to demur when they see an unworkable policy. Nor can policies fall into disuse so long as

16 The foregoing has been the practice of the Armstrong Cork Company as described in an interview by Clifford A. Backstrand, Chairman.
there is strong enforcement. The freedom that managers feel to disagree depends upon the atmosphere for open communications. The avoidance of the negative side of policy enforcement -- uniformity -- is accomplished by policies which place a premium upon certain behavior patterns of managers.

**Corporate constitutionalism.** The idea that the formal philosophy of management is a basic guiding document which sets forth the fundamental ideas underlying the administration of company affairs suggests that a philosophy plays a role similar to the constitution of the federal government.

When this idea was tested initially in the survey and later in the interviews, there was agreement that the analogy had some validity (see Chart 12, Appendix E). The ideas set forth in the document were basic influences in decision making on broad corporate management problems (see Chart 13, Appendix E). Further in the attempt to keep policy alive by encouraging dissent, a consequence was the greater number of conflicts in policy interpretation and application.
The application of the document as a kind of constitution was by the central values as contained in the document having a definite general influence upon policy decisions. In the sense of formal interpretation by a supreme judicial body, with precedents in the legal sense and a codified body of law, the analogy did not hold. In the sense of the document as a pervasive influence in decisions and in settling conflicting policy situations, the analogy was valid.

The relationship between the document and the administration of policy can be summarized as follows:

1. The document provides the conceptual source of policy which is specific, changes more frequently and of more limited time duration.

2. The document is implemented operationally in functional policy manuals or bulletins.

3. The recipients of the complete policy guidance is limited to a small number of managers because only a few possess enough knowledge to understand the policies and have a need for them.

4. Responsibility for the distribution of policy is assigned to one person.

5. The philosophy is implemented by policy which is kept alive by enforcement.

6. The effects of uniformity of thought are avoided by encouraging dissent with existing policies and appraisal of managers as to whether they offer constructive criticism of policies.

7. More evidence is needed to draw any useful generalization about relationship between written philosophies and constitutional theory.

8. The contents of policy tend to change more rapidly than the contents of a written philosophy.

**Evaluation of a Philosophy of Management**

The evaluation of a philosophy of management is concerned with whether the philosophy is understood and accepted, whether it is reflected in the behavior of its managers, and whether such behavior provides favorable operational results.
Integration of a philosophy into managerial actions

There do not appear to be very many companies that carry on a formal program directly related to evaluating a philosophy of management. At least the secondary sources do not indicate that the practice is carried on to any extent. This is not too surprising, however, since the results of the evaluation of almost anything in the concern is a reflection on the philosophy of management of the company. A philosophy of management is woven into the administrative fabric of the entire enterprise. An integrated philosophy, based upon consistent principles finds expression through the entire gamet of operating controls that the firm uses. This is perhaps the most apparent reason for the virtual non-existence of programs to evaluate directly the philosophy of management of the concern.

The survey findings reinforced the assertions in the secondary literature. Twenty of the respondents clearly indicated that no formal method for evaluating the document

18 Davis, p. 174.
19 Thompson, p. 36.
existed in their companies (see Part IV, Appendix E). The reasons which the twenty respondents offered in explanation provided additional insight into the question of evaluation. One answer which was directly helpful, was offered by seven of the respondents. These respondents indicated that they relied primarily upon observation of over-all results and policy violations. The reliance upon over-all results was best explained by one of the interviewees who expressed the idea that the results attained by a company was the one measure of everything that management does. The philosophy of management was the common base behind such action. Over-all results were the sum effect of all the central values brought to bear on all specific actions. When all such specific actions were put together in a measure of total results, it was simply not possible to go back and isolate what role the philosophy played in influencing the total outcome by specific decisions. This is what six of the respondents seemed to mean when they said that the document is too broad to lend itself to evaluation directly.

The use of over-all results to evaluate the document suggests also that such evaluations are not done in a fixed
point in time. Rather such evaluations are carried out continuously over a time span. During such a span of time the management team may come to have a sense of appropriateness or non-appropriateness for the value structure of the management team. And over time therefore the document becomes evaluated.

**Policy violations**

Company policy implements in a specific fashion the philosophy of management. The management team feels a sense of assurance or lack thereof about the philosophy of the company depending on the experience with policies, since policies are the specific expression of the philosophy (see Chart 19, Appendix E). If the experience with a policy is negative, that is, there are a high number of violations or requests for exceptions, the management team may begin to feel that the application of the philosophy with the policy in question is ill chosen and the policy should be changed. Upon successive changes in the same policy and with the same negative effect, eventually some lack of confidence in the intellectual undergirdings behind the policy may take place. Evaluation of the document is thus done over time and in a highly indirect fashion. If
such a process can be called evaluation it is a broad use of the term. There is no formal method of direct evaluation in the sense of the survey question.

**Summary**

This chapter has covered the use to which a formal philosophy is put in the direction of the organization. Typically the document is developed after a clear agreement on a philosophy of management by the members of top management. The process of coming to agreement may take a long time. The actual writing of the document takes place only after such agreement develops. The document is then used for indoctrination of lower echelon employees and outside groups by distribution in printed form. The document can appear as a piece of literature standing alone or it can be incorporated into most any kind of manual typically found in corporate administration. The statement is used in formal training and in meetings of various kinds to further disseminate its contents to the recipients. Much of the indoctrination takes place by interaction among the members of the organization. The freeness of communication is a necessary condition to this form of indoctrination.
A formal philosophy of management is directly applied to operational problems by the policies which are developed for the guidance of personnel in the organization. The document serves as the source of central values. These are drawn up to develop, change, or delete policies. Control of the value structure of the organization is by means of the enforcement of a body of policy. There is a way to avoid uniformity that can result from zealous enforcement of policy.

It appears that the emergence of the formal statement of management philosophy is a beginning point in the development of corporate constitutions. Significant differences exist between the present practices of industrial companies and constitutional theory. The differences may be due to the relative recency of corporate philosophies. The relationship needs watching to see if the corporate economic group takes on characteristics of governance in political bodies.

The evaluation of a philosophy of management does not seem to take place in any describable way. The respondents report little change in the document which indicates that evaluation may not take place to any great extent. This
may be due to the newness of the documents and it may be
due to the lack of direct relationship between the document
and operational results. It seems that if evaluation does
take place it happens slowly over a long period of time, as
the external environment changes or as the company changes
internally.
CHAPTER IV
FACTORAL CONTENT OF A PHILOSOPHY OF MANAGEMENT

Introduction

The objective of this chapter is to set forth a scope of coverage for a management philosophy. Specification of the scope of coverage must start with the definition of the nature of a management philosophy which is offered earlier. In Chapter I a definition of the nature of a philosophy of management states that a philosophy is concerned with "relating certain factors to certain effects by means of certain principles. . . ." This definition has three distinct parts; factors, effects and principles. The discussion in this chapter therefore deals with factors, effects and principles. The discussion draws upon the information from secondary sources and the empirical findings.

Written philosophies and actual philosophies

In setting forth the coverage of a written philosophy of management, it is necessary to distinguish between a
complete management philosophy and a written philosophy. A complete philosophy would include every last scrap of the intellectual organization of the management team. In this sense the complete philosophy would include policy since policies are principles or "significant truths with respect to particular problems."¹ Policies are developed to cover particular recurring problems. However, a written philosophy of management does not include policy. A written philosophy of management provides the basic source of values from which policy is derived. It is therefore more basic and more permanent than policy which may be transitory.

Some principles may be found in a written statement of management philosophy. These principles are the most basic ones of a sufficiently general and permanent nature to be incorporated into a written statement. If the statement includes all principles we have a compilation of all the policies of the top management team. Therefore, certain detailed principles are excluded from the scope of coverage of the nature of a philosophy of management.

The effects that are desired by a top management team, as expressed in a written philosophy of management, are also of a most general kind. Detailed desired effects as expressed in specific performance standards, are not the province of a written philosophy of management. In the same vein, the factors which are included in a written philosophy of management are general in nature. The factor of the primary service objective, for example, may be stated in terms of the economic mission. This may be as specific as a written statement can be without getting into a detailed description of sales goals by product lines.

Furthermore, the triadal relationship between factors, effects and principles would find expression only in so far as the relationship pertains to the company as a whole. The use of general principles to explain how a desired result or effect can be achieved, concerning a certain factor, is the province of a written philosophy of management.

Principles and effects

The feasibility of ascertaining the existence of effects and principles as a necessary part of studying the nature of a philosophy of management is slight. Even
though a conceptual distinction between effects and principles may be possible, a careful perusal of written statements that have been developed by practitioners, indicates that an actual distinction is not possible. For example, a typical statement from a written philosophy of management might say, "To pay fair wages," Whether the statement is a principle or an effect is a moot question. Due to the difficulty of making such distinctions, the treatment in this chapter of the coverage of a philosophy of management includes only factors.

The decision to study only the factors which a philosophy of management might cover is for another important reason. It is safe to assert that the factors which a philosophy covers would be much the same in a number of statements whereas it would not be safe to assert that principles and effects would be the same. It is the principles and desired effects which modify behavior. A company's philosophy if it is to serve the company's special needs, is hammered out by each individual company. A study of the coverage given by philosophies to principles and effects, must assume some commonality of principle and effects. The assumption hardly seems a safe one in view of
the unicity of forces which faces each top management team. The foregoing rationale therefore asserts that the principles and effects are quite different in each statement even though the coverage of factors is probably much the same in each statement.

In this chapter then, it is not possible to set forth a framework of values or desired effects for all management philosophies in the manner that is possible to set forth the factors which a philosophy covers. To attempt to set forth correct values or desired effects would result in only one set of values, and naturally, would be only those of the writer. The value framework cannot then be treated in this chapter as can the factoral framework. The value framework must instead be developed directly from the empirical material. Such is the undertaking in Chapters V and VI.

Using the same reasoning, the principles which link factors and desired effects or values, cannot be stated in a universal manner in this chapter. The development of this must likewise look to a synthesis of the empirical information.
The Factors in a Philosophy of Management

A philosophy of management, if complete in coverage, includes a certain minimum number of factors. The basic significance of these factors is set forth by a number of writers.²

Organized society

The business concern serves the economic needs of society. Free society permits the existence of such enterprises under conditions of economic decentralization so long as its needs are being met in a manner that is acceptable. When the business community fails to perform under such requirements, actions are taken to alter conditions of performance with a consequent loss of freedom. In order to preserve the economic system, it is necessary for the individual concern to relate itself in an acceptable way to organized society.³


Primary service objectives

Of critical importance to any philosophy of management are the particular economic values which the management group sees the enterprise attempting to offer to a particular segment of society. These human needs are related to the price, quality, and conditions of service incident to satisfying such needs. The incorporation of such sub-elements of a firm's primary service objective into a statement of philosophy is the recognition by the management group of the economic service that the company intends to render in the marketplace. 4

Collateral service objectives

A philosophy of management includes the intentions of the management group to strive for objectives that are largely personal and social. The objectives of the individuals associated directly by employment contract are obviously important. It is from them that personal sacrifices are obtained to the benefit of the firm. In return they expect certain treatment. A philosophy of management would include statements relating to sociological,

psychological and physical needs in addition to the level of monetary emolument of employees.

The intentions of the management group regarding treatment of investors is also a minimum requirement for a stated philosophy of management. Although employees and investors are the two main classes of individuals whose objectives need to be met, there are others such as bankers, dealers, suppliers and selling agents who will differ in number and kind depending on the nature of each company.

Collateral social objectives form an integral part of any management philosophy. These are the obligations that the business firm owes to certain groups because of the ability of the groups to retaliate in some way if not satisfied or because of the general requirements upon institutions in a free society to meet certain standards of citizenship. This category of objectives is a most inclusive one embracing such areas as governmental relationships and local community participation. It includes the management's views concerning the values which are necessary for a healthy society. Management thinking might cover for example, the subject of taxes, appearance of physical plant and altruistic contributions.
Secondary service objectives

It is not possible in the long run to achieve either of the foregoing objectives without the achievement of economy and effectiveness. If the business organization is not successful in the long run in selling its products at a price to cover costs, plus a competitive profit, it is prevented from achieving primary service objectives and may be in danger of not achieving collateral objectives. In such a case the conditions of economy and effectiveness are not present. The values inherent in secondary objectives relate to such internal considerations as adequacy of the management process, competency of personnel, condition of machinery and innumerable other factors, the lack of which can impede the achievement of economy and effectiveness. A management philosophy may attest that such conditions are necessary and are an influence upon management decisions.

Primacy of the service objective

Each philosophy is tailored to meet the peculiarity of the factors and forces which the concern faces and the effects which the concern desires to achieve. However, there is one factor over which there can be no altercation. From a managerial point of view every business concern needs
to have the primacy of the service objective. This is true if the firm wants to remain an economic institution. If other objectives become dominant, then it ceases to be an economic institution. It becomes some other kind of societal institution whose objectives are not primarily to render economic values.  

Standards of business conduct

The portion of a philosophy of management which deals with standards of business conduct, represent the attempt by management to express its position regarding what is considered right and wrong conduct. The value of such a statement is that confidence is built up with parties such as employees, customers, the general public, and sources of capital. Confidence is necessary to achieve effects such as success in the marketplace, attraction of venture capital, maintenance of a desirable work force and the prevention of increased regulation by the government. The importance of a company position on ethical behavior is therefore clear.  

Executive leadership

A philosophy of management is developed by the top management group. This group may evolve a definite conception of how it wants to manage company affairs. The conception may be clear to only that group. It is important that the message be communicated to others. The primary message of this section of the philosophy is the role which management sees for itself in conducting the affairs of the company. Such a statement includes, but may not be limited to, the responsibility of management to plan, organize and control the company, the responsibility of management for company performance, obtaining a balance of interests and the uniqueness of management skills and abilities which justify the role which management has in the enterprise.

Business policy

The subject of policy in a written philosophy deals with the role which policy has in the regulation of the organization's thought and action. Such a provision establishes the link between the basic statement of business philosophy and the more specific implementation of the philosophy in the qualitative standards of policy. The statement may cover the use of the written philosophy in
the absence of policy and the need for constructive dissent when a policy is not workable.

**Business functions**

A philosophy of management may include the major divisions of work in the business organization. The organization is concerned primarily with the creation of economic values. Certain kinds of work are necessary to achieve these values. The major groupings of work are thus the activities which are essential to the work of the organization. These are the activities which create directly the values for which the customers exchange dollars. Their continued position of importance is requisite to the success of the enterprise. An area of coverage for a philosophy of management would be the organizational functions which top executive groups consider as critical.

Since this research project deals with industrial concerns, the functions which one would expect to find covered in a management philosophy are production, marketing and finance. These are the organic functions which form the line organization in a manufacturing concern. The synthesis of the factorial coverage seeks to ascertain
whether such functions and any others are covered in the written documents.

Physical factors

A factor which influences the ultimate success of the enterprise is the physical conditions of work for both managers and operatives. This is largely a matter of the desired quality of the physical plant. The differences among management teams on this point is obvious by visual observations alone. The differences may be explained in part by the importance which the top management group places upon material assets. The quality of the physical plant affects the economy and effectiveness of the enterprise. It also affects the morale of the personnel. A management philosophy would include a statement on the physical comfort and productive facilities that are desirable.

Personnel

People are the linking factor between the work and the physical facilities which are used to get the work done. A philosophy of management would include a statement of the methods and means by which the link is established. It
would consist generally of what the company expects of the employee and the social-psychological environment the company expects to maintain.

**Organization structure and business procedure**

The development and maintenance of organization structure and procedure has its genesis in the philosophy of the top management group. At the level of a stated philosophy of management, the attempt may be made to specify the purpose of structure and how work is to be accomplished within the organization. The explanation of management's thinking on unity of command, relationships among positions, the locus of authority and the nature of organizational procedures are but a few of the structural and procedural elements that might be found in a philosophy of management.

**Organization morale**

A statement of philosophy may stress the meaning and importance of attitudes toward the company and the level to which the company believes in developing morale.

The foregoing describes the factors which one may expect to find in a written philosophy of management. It
stresses the factorial properties of a philosophy and de-emphasizes principles and effects. The reason for this is that there are few absolutes in a philosophy of management when it comes to application of general administrative management concepts to specific company situations. Although it is foolish to describe what a good philosophy is and what a bad philosophy is across the board, it is possible to describe what a philosophy might cover. To go further into principles, effects, and factors that might be contained in a written philosophy it is necessary to look at empirical data.

The Empirical Evidence on Factoral Coverage

With the factors which one may expect to find in a written philosophy of management as a guide, the twenty-eight respondents' documents were subjected to careful study. The purpose was to measure the contents of the documents in terms of the components of the definition of a management philosophy, that of factors, principles and effects. It was necessary to study the documents carefully to ascertain whether they were written according to the definition. The study revealed that the documents showed little relationship to the components of the definition.
The ultimate criterion for factoral coverage was simply that something substantive be said about each factor. The detailed explanation for this outcome was the subject of Appendix F.

Research procedure

The individual statements were carefully reviewed and tabulations made on factoral coverage. The statements were studied, beginning to end, four complete times. After each study the factoral coverage was different, the changes resulting in greater sub-factoral detail. The end result is shown in Figure 1.

Profile of twenty-eight documents

A noticeable characteristic of the twenty-eight statements when looked at in total is the degree to which they tend to concentrate on certain major factors. Using the methodology for factoral coverage as described in Appendix F the final number of major factors and detailed subfactors which are extracted from the statements are shown in Figure 1. The percentage of statements which covered each of the major factors only is shown in Figure 2. This profile of the twenty-eight philosophies
Fig. 1. Profile of principal management factors and sub-factors which twenty-eight management philosophies give coverage to by number and percentage.

<table>
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<td>4. Quality</td>
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<td>5. Service</td>
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<td>6. Innovation</td>
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<tr>
<td>B. Underlying Conditions</td>
<td></td>
<td></td>
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<tr>
<td>1. Industry Leadership</td>
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<td>2. Sales Growth</td>
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<td>3. Global Markets</td>
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<td>4. Selected Criteria for Increasing Economic Values</td>
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<td>b) Organized Labor</td>
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<td>c) Competitors</td>
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<td>b) Laws</td>
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<td>c) Community Participation</td>
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<td>d) Responsible Citizenship</td>
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<td>e) Contributions</td>
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<td>b) Economic and Political</td>
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<td>c) Global Outlook</td>
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<td><strong>IV. Personnel</strong></td>
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<td>B. Individual Dignity</td>
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<td>F. Placement</td>
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<td>G. Selection</td>
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<td>H. Balance of Interests</td>
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<td>B. Attitudes</td>
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Fig. 2. Percentage and number of twenty-eight documents which cover eleven major factors of management.

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<td>Physical Performance Factors</td>
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</table>
shows that ten of the eleven factors are treated by half or better than half of the statements. Notable also is the high number of all statements which cover the subject of objectives, personnel, ethics, leadership, organization structure and functions.

Five of the documents cover only a few factors of management. For these five the emphasis is given to general service objectives, organization structure and executive leadership to the exclusion of all other factors. Such documents are incomplete in factorial coverage. Another group could be called partial philosophies in that they cover all but two or three major factors. As can be seen in Figure 1, most frequent omissions are the factors of policy and physical performance. The partial type of document is the most preponderant with eighteen falling into this category. The comprehensive kind of statement gives coverage to each of the eleven factors of management. Only four clearly fall into this category.

In terms of the breadth of treatment it can be concluded that not all philosophies cover the full spectrum of management factors. However, there is a definite concentration of the subjects covered on eight of eleven factors.
Summary

This chapter attempted to apply a definition of a philosophy of management to the statements as they were collected from the respondents. It was found that the definition could not be used as a yardstick to measure the coverage which the documents give to the factors of management. An alternate method of measurement was decided upon. This was simply that the document say something substantive in order for it to be counted as covering a factor. This caused variations in the kind of coverage each document provided. The enumeration of factoral coverage, however, was close to the ten factors established initially. An over-all profile of the documents was the result of this effort. It enabled an overview of twenty-eight statements. It therefore removed the major hurdle of the mass of superficial differences. It enabled one to see the essential factoral coverage of the documents. It was necessary to do this before being able to draw any useful general conclusions about the factorial coverage of management philosophies as they appear in industrial practice today.
Having developed an overview of the statements, it is now possible to go inside the documents to see the substantive content. This is the subject of the next chapter.
CHAPTER V
THE CONTENT OF A PHILOSOPHY
OF MANAGEMENT

Introduction

This chapter deals with the substantive content of the written statements on primary, collateral and secondary objectives. The subject is introduced with a general view of the documents. This is provided by a description of the different formats, differences in length of titles, and style of composition.

The main part of the chapter is a detailed exposition on the factor of objectives. Some of the statements give more intensive treatment to certain subfactors than do other statements. The extent of the detailed treatment of the subfactors is shown in the previous chapter. A summary of the substantive content on objectives is set forth in this chapter. An explanation of the methodology for collecting the substantive content by the factorial headings and subheadings is found in Appendixes F and G.

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A major part of this project is to discover in detail the factors to which a written philosophy of management gives attention. As shown in the previous chapter a major segment of the twenty-eight written philosophies deals with objectives. It is therefore appropriate that the primary, collateral and secondary objectives be given separate treatment.

The Varied Nature of Written Philosophies

The first impression that one receives as the twenty-eight statements are studied for the first time, is the wide differences in word length, format, brevity of expression and generality of composition.

Length

The length of the statements is established by a simple word count. A count of the number of words used to state the company's philosophy is shown in Table 1. Nineteen, or 67.9 per cent, are more than 150 words but less than 2200 words in length. Eleven of the nineteen are close to 2200 words while eight are shorter. Three of the eight are only one page in length, or about 300 to 350 words. This is significant because of the consistency
in length. Apparently, the drafters find it most frequently possible to state the company's philosophy with between 2000 to 5000 words.

**TABLE 1**

APPROXIMATE WORD LENGTH OF THE TWENTY-EIGHT PHILOSOPHIES OF MANAGEMENT

<table>
<thead>
<tr>
<th>Range of Word Length (Inclusive)</th>
<th>Number of Philosophies</th>
</tr>
</thead>
<tbody>
<tr>
<td>150-2200</td>
<td>19 67.9</td>
</tr>
<tr>
<td>2201-4251</td>
<td>5 17.8</td>
</tr>
<tr>
<td>4252-6301</td>
<td>3 10.7</td>
</tr>
<tr>
<td>6302-8351</td>
<td>0 --</td>
</tr>
<tr>
<td>8352-10401</td>
<td>1 3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong> 100.0%</td>
</tr>
</tbody>
</table>

**Format**

The physical appearance of the statements is also of interest in giving the reader an impression of the twenty-eight philosophies. Aside from print size, color, weight, grade of paper and other unimportant characteristics, all of which are extremely diverse in the statements, the general form in which the documents appear, fall into three categories. Thirteen of the statements are mimeographed, dittoed, or printed on standard size loose leaf paper, obviously intended for internal use only. Three
statements are printed on embossed paper of an odd size, intended probably for framing. The remaining twelve statements are prepared in attractive pamphlet form in various sizes and shapes intended probably for a much wider audience and heavier usage than the other two formats.

**Titles**

Another way of learning the nature of the documents is by a comparison of titles as shown in Figure 3. The use of similar words, phrases and meanings indicates that the statements are developed by different groups of managers but for very common purposes.

**Composition**

A further insight into the nature of the documents can be gained from considering the brevity of expression, and generality of language. In Table 1 nineteen statements are less than 2201 words in length. Nine of these nineteen statements are less than 400 words long. The desire by the framer of the documents to be brief seems to cause them to omit any coverage of principles and to dwell upon desired effects only. There are predominant phrases such as "highest standards of ethical morality," "to have our
Fig. 3. Titles\textsuperscript{a} used by twenty-eight\textsuperscript{b} respondents for their written philosophy of management.

1. Objectives of __________
2. __________ Policies
3. __________ Guiding Principles and Objectives
4. Management Guide
5. Our Principles of Operation
6. This We Believe
7. Philosophy of Management
8. Statement of Company Objectives
9. Statement of Policy
10. The Goals to Which We Aspire
11. Principles and Objectives
12. General Objectives and Principles
13. Goals for __________
14. Corporate Principles
15. The Creed of Management
16. Basic Corporation Objectives and Management Policies
17. A Statement of Policy
18. Management Objectives
20. Platform of the __________
21. What We Believe
22. The Responsibilities of Management
23. Corporate Objectives
24. The Creed We Work By
25. The __________ Practice of Management
26. Overall Policy
27. Company Objectives

\textsuperscript{a}Names of companies are omitted for anonymity.

\textsuperscript{b}Two companies used an identical title.
employees be good and useful citizens." Such statements are platitudinous. Their composition is so general that standing alone they are almost devoid of meaning. The remaining documents show various degrees of the general to specific language and splashes of related effects and principles.

Such distinctions as the foregoing are crude, at best. There is overlap. Some of the statements are specific but incomplete. Others are comprehensive in coverage but general in language.

A quick review of the twenty-eight documents reveals that the factorial coverage is similar, the lengths are short, the formats indicate internal and external usage, the meaning of the titles is quite similar and in composition the documents are heterogeneous.

An Intensive Examination of the Documents

The outline of the factorial coverage developed in Chapter IV assisted in the organization of the diverse material from each statement. It was necessary to bring together under common factorial and sub-factoral headings, the various phrases and paragraphs on each factor and sub-factor in order to show commonality of meaning between the
headings and the phrases. An explanation of the method and the results obtained were incorporated into Appendix F. Once this had been accomplished, it was possible by studying Appendix F to understand the nature of the treatment given to the factor, by each document. That which follows in this chapter and in Chapter VI is a distillation of Appendix F. The sequence of the topics conforms to the outline of factoral coverage shown in Figure 1, Chapter IV.

**Primary service objectives**

The importance of the economic values which the management group sees the enterprise attempting to offer to a particular segment of society, is very clear from the twenty-eight statements in this study. In almost all cases the documents give coverage to this factor at, or near, the outset of the statement. Further the documents in all cases but two give coverage to this factor. Thus twenty-six or 93 per cent of the documents have something to say on the economic values which the respondents try to provide to their markets.

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1The source of information for the discussion is found on pages 389 through 405 of Appendix G. The figures are taken from Figure 1, p. 119.
It is necessary to point out that economic values being called primary service objectives is by selection of the writer. The documents in many cases do not make clear whether rendering economic values is in fact considered to be primary. For three documents collateral objectives seem to be in a primary position. The reader should not be misled by the label to the category of economic values.

The following discussion deals with the subfactors of the primary service objectives. These topics include the provision of economic values in terms of defined customer needs, the creation of specific products, price, quality, service and the innovative role of the company in providing such values. The discussion continues with the conditions under which the companies desire to meet the market. These conditions include a description of the leadership aspirations of the companies, the desire for growth, an image of multinational marketing and the criteria for expansion of the companies economic activities.

Customer needs. The primary service objectives are usually mentioned in terms of general needs of a given market or in terms of given products. Several of the documents express the primary objective of the company both
ways. In terms of general needs the documents simply contain assertions that the organization is going to do something to meet the needs of its customers. These assertions do not contain any expression of the particular need that the top management group sees the company as serving. They contain only the key word "need" as indicated by the following quotations: "All of our action plans must arise from the needs and wants of the markets we serve, we intend to fill the needs, the production of products to fill needs, searching out and thoroughly understanding the true needs of our customers and toward satisfying those needs."

Other documents specify the particular need that the company sees itself as fulfilling, depending on the business which the company is engaged. These specific expressions cover such areas as human health, and energy.

**Specific products.** Most of the companies choose to express the primary objective in terms of specific products, which presumably are capable of satisfying the needs of customers. The expressions which typify this method are varied, depending on what the company views its product to be. A product is seen as more than a tangible end item. The product is taken to mean also some basic
process, some design capability, special know-how, or some basic raw material. Examples of these kinds of expressions are: "transforming matter, by applied chemistry into more useful compositions, to develop our specialized know-how into other special metal markets, we are an industrial complex engaged in the design, manufacture and sale of aircraft, missiles and space systems, to develop petroleum and other energy resources, to process petroleum and related raw materials."

The companies choose a variety of ways to define the means of providing economic values. The method of expression is influenced by what top management thinks the company's uniqueness happens to be. One may consider that there are two stages in an initial statement of the primary service objective. One stage is to recognize the particular need in the market which the company is trying to satisfy or is best qualified to satisfy. The second is to define what the company's particular contribution to that need is going to be, or where its particular talents happen to lie in satisfying that need.

Price, quality and service. Primary service objectives are also described as conditions not directly a part
of the product but which are a part of the transaction between the firm and the customer. Such statements usually center upon the factors of price, quality and service. Exemplitive of these expressions in terms of price would be: "full value, fair prices, sound values, low prices in relation to value, constantly improve value, lowest possible prices, and competitive prices." Quality as an element of the primary service objective is expressed in the documents in a like variety of ways: "increasing the quality, to adopt quality as a slogan, consistency of quality, high standards of quality and dependability, superior quality ingredients, unsurpassed quality, high quality, our quality as good as or better than competitors, and to furnish the best materials of their kind." Service, a word which in this study is taken to mean a wide spectrum of factors, to include anything from delivery to technical advice to customers on product usage. Eight companies consider this an important factor. These companies express themselves on the factor of service typically as: "increasing the availability of our services, highest standard of service, dependable service, to have an outstanding reputation for customer service, service . . . the best possible,
offer . . . services of unsurpassed quality, superior service to customers, such services as will enable us to accomplish these ends most effectively." It is thus very clear from the foregoing that the companies view their economic offerings in another way as much more than a tangible product alone.

Innovation. A final element in the direct expressions of the primary service objective is the pledge to provide such products, however defined, in a highly viable manner. The companies recognize in their management philosophies that products are only good for a particular span of time in their capacity to satisfy needs. As needs change, products formerly designed to satisfy, become obsolete. There is the necessity to come up with different products to satisfy changed needs. The companies intend to anticipate these shifts and to be ready for them. The alternative is to wait for the market to make changed needs known and have the consequent wastes that accompany such slowness of action. The utterances are unmistakably clear on this point, examples of which are:

Anticipating customer's changing requirements and developing new or modified products to meet these requirements.
We shall also provide our share of research for the development of new and improved products.

. . . to lead the industries in which we compete, in product improvements and innovations, in the development of products to meet unsatisfied wants, and in the improvement and development of products to meet old needs in better ways.

We will strive each year to have some part of our net income derive from products not made by us in the previous year.

To develop new and improved products that will permit the substitution of more profitable ones for the less profitable.

The direct means of expressing the primary service objective in terms of economic values as revealed by the statements of management philosophy, are thus five in number: market needs, specific products, prices, quality, service and product innovation. The concept of needs is usually definitional. The companies specify a primary segment of human want. The companies view the satisfaction of these wants as a process of ascertaining the unique capacities the company possesses and defining the effort in terms of such special talents. The expressions of price, quality and service for each company are on one of three levels. The companies want to be unsurpassed, competitive, reasonable, fair or adequate. Finally the company's defined concept of serving customers is a transitory idea
that may change as the company perceives the need to change in response to changing needs of customers.

**Leadership.** A number of documents specify certain requisites which must be met in the attempt to serve customers. One such requisite is that the companies want to be in a position of leadership in the process of offering economic values. Some statements simply say that the top management team wants leadership in its industry without specifying the nature of leadership that it wants. Other documents contain the declaration in more specific terms - such as technical leadership or best management team, or by product or by more nebulous phrases such as competitive leadership which can be taken presumably to mean sales leadership. A conclusion is that top management thinking is influenced by its desire to be the leader, however the top management team may want to define the leadership.

**Sales growth.** Another such requisite is that certain companies desire to engage in the activity of providing economic values so long as market conditions exist or which can be created to cause the total dollars flowing from customers to be always increasing. The documents however show some important differences in how this desire for
growth is expressed. Some state that the rate of growth must be greater than the market which the company serves and some use industry growth as the criterion. Others state that growth merely exists and that it be profitable and consistent. Still other documents express growth as a way of thinking about company actions, i.e., the company wants to be growth oriented. Some apparently look at their markets, forecast general market growth and are thereby forced to adopt a growth objective to be consistent with previous statements about customer service. For if a company's market is growing and the company's sales are not growing proportionally then in comparison to customer needs the company is not a success. Instead it is getting a decreasing proportion of the market and failing percentagewise to satisfy as many customers as it has satisfied in the past. Growth in this sense is seen as an extension of the company's primary service objective, and not a separate category of economic mission. Despite the various ways of expressing the growth objective it can be safely concluded that the companies consider as a mark of success whether growth exists, however defined.
Global markets. The documents reveal the geographical extent to which the companies view their customer service activities. The companies whose documents are studied in this project are among the 500 largest corporations in America. One would expect therefore that their statements would reveal that they have a world-wide outlook as to serving customers. The majority of these corporations have substantial overseas markets. However, only a small proportion of the documents give any indication of whether they consider their markets to be primarily multinational. Perhaps the assumption is that the markets are world wide. But the number of companies which directly express their statements in this manner are only seven out of twenty-eight. The seven use words or phrases such as, "international, in the U.S. and abroad, foreign markets, more people can enjoy more of the world's goods, to plan globally, to serve the total world market." The writer is struck that more companies do not express their economic mission in this manner. In interviews with respondents the reply is typically that the company has foreign markets but that the top management team thinks primarily in terms of domestic markets or that the overseas division is so
decentralized that the top management does not get involved very greatly. If the respondents' replies can be accepted at face value, then a major weakness in the intellectual organization of American industrial top-management is shown through the statements. The inability to comprehend company problems across many cultural settings is almost bound to cause serious inadequacies in top management thinking as sales increasingly come from abroad. The fact is however, that some of the documents do reveal a world wide point of view quite clearly even though the number of such statements are few.

Expansion criteria. The continued offering of economic values under conditions of sales growth eventually results in the necessity to expand the physical facilities of the company and the need to increase the capital invested in the enterprise. The wisdom in such expansion is carefully checked by the application of certain basic criteria. Such criteria are a concomitant part of the discussions on customer service and sales growth for seven of the twenty-eight documents. Even though this is only 25 per cent of the total number of documents; the ideas contained in this section of the factorial coverage, are so important that
they deserve separate mention. The paramount criterion is one that can be guessed by most any serious student of management thought and the business institution. All seven documents place definite financial limitations upon expanded offerings of economic values. These expressions are in terms of simple profitability without regard to how profit is to be measured as well as definite measurements such as long-term return on investment. The documents also contain more precise expressions such as "promising financial rewards, earnings growth above sales growth, consistent with profit potential, investment sound in relation to financial condition of the company, and expansion in a profitable manner." Since the business firm is primarily an economic institution, it is to be expected that such criterion appears in the documents.

A second criterion mentioned by five of the seven documents has to do with the source of expansion. The strong preference is for expansion from within. "To grow from within through research and development, preferably by internal growth, growth through developments of our own," is the way the documents express this preference. The opposite of growth from within is growth by acquisition.
The documents have definite statements as to when the companies may permit themselves to undergo expansion by acquisition. "To grow through acquisition only when this proves to be the most feasible and economical method of entering a field and then only if it integrates well with existing operations, by acquisition or merger if such is necessary, feasible or profitable, turning to acquisitions of other businesses only where so doing is more economic and will speed progress over what we could do ourselves, or when opportunities from our own developments fail to provide desired growth." The foregoing recognizes that there are advantages to having expansion of the concern from internally generated new products or markets.

Several other criteria are mentioned by a sufficient number of documents to mention them here. Four of the documents state that the growth must more fully utilize some present resource of the existing company. Such resources mentioned include management know-how, technical knowledge of markets or products, plant facilities, and existing patents. The companies are apparently not interested in entering some field in which it would be necessary to start from the very beginning. The criteria
for increasing the offering of economic values are primarily financial even though the methods of applying such criteria are diverse. In the effort to expand company sales it is surprising that more of the documents do not exhibit a recognition that future increases may come from markets overseas. The preferred source of expansion is clearly from within the present company and to exploit some known resource that the company already possesses.

Regarding the treatment of the primary organizational service objective, industrial philosophies show the following characteristics:

1. There is a strong recognition that the companies exist primarily to serve the economic needs of its customers.

2. The documents are diffuse and general in their definitions of the needs of customers.

3. The economic values which the company offers to satisfy the needs is seen in a multitude of ways. Certainly the product is more than a tangible end item. It may also be a knowledge, process, particular raw material, or some feature of price, quality or service.

4. The decision to offer particular economic values seems to be influenced by the uniqueness which the company seems to possess.

5. The documents recognize that it is to the company's advantage to discover the needs early and to make new offerings to the market. In this sense the company is seen as the discoverer of needs.
6. The documents show that the executive guidance of the company toward its primary objectives is influenced by the desire to have leadership as the top managers define such leadership.

7. The documents demonstrate that a high value is placed upon sales growth, which is defined in many ways.

8. Surprisingly few of the documents exhibit an international marketing outlook.

9. The documents specify expansion criteria. Expansion should be from within, integrate well with existing operations, exploit present resources, and meet financial measures.

Collateral service objectives

The formal statements of management philosophy contain more information on collateral service objectives than any other category. The intention of the company to meet the individual and social interests of the various parties who lay claim to certain benefits from the business firm is mentioned by all respondents' documents except one. More specifically, twenty-seven documents or 96 per cent cover the personal interests of employees and owners. Nineteen or 67 per cent give coverage to social obligations to

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The source of information for the discussion is found on pages 406 through 448 of Appendix G. The figures are taken from Figure 1, p. 119.
government and civic units. Twenty-one or 75 per cent recognize obligations to organized society in general.

**Employees**

The personal interests of the employees are discussed in the documents around several central subjects. These topics include promotion, compensation, employment stability, personal growth, working conditions, fringe benefits, recognition, and communication with employees. The statements covering these subjects provide ideas underlying the provision of job factors to employees.

**Promotion.** The promotion of employees pertains to the elevation of status of a person within the organization. The central ideas underlying promotion indicate that the companies intend to promote primarily from within, that they intend to provide different degrees of opportunities for such promotion, that such promotions are based upon merit, non-discrimination, longevity of service, and that the company intends to create the organizational environment in which the personal progress of employees is assured. Thus the ideas behind promotion pertain to the source of promotees, the degree of opportunity, the criteria of selection, and the environment for personal progress.
Compensation. The documents reflect recognition by the top managements that the form of compensation is monetary as well as non-monetary. The monetary aspects of the respondent's ideas on compensation relate to the level of compensation, the method of computation, the factor which the company intends to pay for and the results desired. The level of monetary compensation is shown by words and phrases such as, "fair wage, best compensation, better compensation than would be possible if performing a similar service in other fields of effort, pay its people well, compensation equal to, or above levels prevailing in local markets, equitable compensation, adequate compensation, and highest possible reward." As to the method of compensation the documents show that pay should be based on a sound wage and salary program which enables ready computation, ease of understanding, and prompt payment. The statements specify that the respondents provide such compensation for services rendered, for employee performance, for the employee's skill, for their long service and for their productivity. The results desired is shown in words such as, employee loyalty, employee's sense of
obligation, employee spirit and efficiency, and maximum incentives.

The non-monetary element of compensation that the documents cover is not nearly so complete. Gleaned from the documents are such phrases as, every possible and sound incentive, to see that employees are rewarded properly, and a maximum degree of satisfaction. The documents recognize the psychic side of employee compensation. If the preceding phrases are taken in full, non-monetary aspects are a part of the meaning even though not expressed per se. The non-monetary side of compensation comes out fully in the section on personal growth. The documents thus give coverage to the factor of compensation in a rather complete way.

Employment stability. Stability of employment is treated in the documents in a highly normative fashion with the framers showing an intention to strive for this ideal. The most typical phrase is, "to provide a high degree of employment security." Such a condition is to be achieved by having a healthy profitable company with an assured future so that employees can look forward to stable employment throughout their working future. In another document the means to such an end is to have constant expansion of
the company and the economy to provide such jobs. Still another document hedged the statement by inserting the qualification, "consistent with business conditions." It is of interest that twelve of the documents contain an assertion on this subject. At least this many consider job security to be of great importance and are willing to express their intentions. The sixteen documents which are silent on the subject is even more remarkable. Fifty-seven per cent apparently decline to commit themselves on such a critical matter.

**Personal growth.** The factor of personal growth is covered in twenty-one or 70 per cent of the documents. The top management groups attach great importance to the creation of conditions which enable an individual to increase his ability, knowledge, work satisfactions and pride. This factor is closely tied in with the non-monetary aspects of compensation. The fragmentary treatment provided in that section of the chapter is thus treated more fully here. The most pronounced way that the documents cover the factor of personal growth of employees is by rather simple assertions. "By providing opportunity for growth and development" is the most frequent expression. Other statements go deeper
and take positions on the provision of necessary training, the creation of organization structure that stimulates employees to be challenged to the utmost of their abilities, and which demand their best efforts toward accomplishment. The statements assert that this is a primary method of attracting personnel of outstanding caliber. The creation of conditions on the job that are attractive to good men is a central theme of the documents. Jobs that demand much from employees and that are highly satisfying are also the jobs that provide much in the way of non-monetary compensation. Clearly many of the documents devote much in a substantive way to the factor of personal growth.

**Working conditions.** Working conditions is a popular topic in the documents as evidenced by the fact that eighteen or 64.4 per cent of the documents cover the subject. Many of the statements are blanket endorsements of the idea of good working conditions while others specify such underlying factors as, employee safety, tools and equipment that are safe to work with, and the health of employees. Some of the statements commit the companies to a permanent program of action in pursuit of these ideals.
Fringe benefits. Fringe benefits relate to the provision for employees of certain emoluments which are a dollar cost to the company but which are not a part of the regular monetary compensation of the employee. Surprisingly few companies are willing to take a direct position on fringe benefits in their statements, as evidenced by only eight statements which cover the subject. Of course the provision of fringe benefits can be covered in the portion of the philosophies which cover compensation. Of these eight companies, the pervading theme is that the company recognizes certain financial needs in life which carry beyond the employees' ability to handle. The statements then specify that illness and accidents fall into this category as well as retirement. One respondent takes the position that the individual employee has some responsibility to take care of himself and that the fringe benefits therefore provide only partial coverage. Fringe benefits in this sense supplement the employee's efforts rather than supplant them. The typical level of fringe benefits is the prevailing community practice or the best available in the industry.
Recognition. There is some direct cognizance of the need for recognition of employee service to the company in the statements of management philosophy. Only five companies make direct assertions on this point. However, it can be safely assumed that the factor of employee recognition is implied in the assertions on promotion, compensation and personal growth. The sentences addressed directly to recognition are a simple admission that such management action is important without going into any additional detail. "That the employees individual services are effective and recognized" is a typical statement. One respondent suggests that employee satisfactions are related to the degree of recognition. Another suggests that recognition be public while criticism be in private. Other than these two atypical statements, however, the assertions on this point are very general.

Communication. The exchange of information between employees and management is a topic selected by thirteen of the top management teams whose documents are studied. Some of the statements simply limit the treatment to communication without saying what the communication is intended for. Examples of such positions are, "encourage frank and
friendly discussion between management and the organization at large, to keep employees informed, to encourage employees to express their views, effective two-way communication, to be informed about the progress of the company and whenever practical to have advance knowledge of changes that would affect his job." Other statements strongly bear on employee grievances as much as upon communication. Examples of these kinds of assertions are, "to provide prompt and fair hearings to employee's attitudes, to improve relations with employees and their representatives to accomplish better understanding, to have clearly defined channels for consideration of his complaints or suggestions, employee problems will be handled in accordance with procedures set forth in the applicable collective bargaining agreements."

It is thus clear that the documents give coverage in almost half of the cases to communications with employees.

Owners

The declaration of basic positions of the top management team with owners is no less important than that with employees. The ideas contained in these declarations can be conveniently subdivided into the topics of, profit,
payment of dividends, the use of capital and provision of information to shareholders.

**Profit.** The ideas contained in the statements on profit relate to the level of profit which the top managements want to strive for, the primary gauge of profitabil- ity of the company, the source of profits, the reasons for profit, the role of profits in our economy, and requirements for the attainment of profits. The levels of profit which the companies say they want to strive for are indicated by expressions such as, "as great as other growth companies inside as well as outside of our industry, sufficient profit for continuing growth and dividend payments, adequate or fair profits, competitively justified earnings, earnings growth above the desired rate of sales growth, 15 per cent on investment after taxes, 30 per cent of gross earnings on a product, sufficient profits to pay fair returns and to maintain a strong financial position, returns available to investors in similar risk companies."

There are several ideas close to ideas of level of profits. Some merely state that profit standards are to be established. Others say that top management wants to have continuing profit without saying what the level should be.
Some only give recognition to the need to have a return on the shareholder's investment. Still another group say they want to improve the investment advantage of the company without explicitly using the word profit. It can be seen that there is by no means similarity across all statements regarding the top management's thinking on the level of profits.

The primary gauge of profits as indicated in the documents however is just the opposite. Almost unanimously the documents assert that return on investment is the concept of profit to which the top management group holds. This gauge of profit is a common part of a philosophy of management, as indicated by eighteen of the documents suggesting this method of measurement whereas only two suggest return on sales. No other method is mentioned.

The documents to a lesser extent suggest that there is a proper source of profits. The source is the normal operations of the business organization. This is apparently inserted by some respondents to avoid engagement in speculative activity. While financially rewarding speculation tends to divert top management attention from the primary effort which is a more lasting and permanent engagement speculation is temporary and more riskful.
The reasons for profit are covered by twenty of the statements. The reasons are four in number; for funds to finance growth ventures, for payment of dividends, for increased financial soundness and to attract additional outside capital. Closely allied to this point are assertions on the role of profits in the economy. Profits serve to provide incentive to investment and to measure the success of the firm. These two central ideas are expressed by three of the documents. The same respondents assert that "the blind pursuit of profits can become socially, politically and economically dangerous if undertaken without due regard for our other objectives here stated."

The idea that profits make sense in modern society only in regard to other obligations which the corporation is to support thus comes out clearly. The requirements for the attainment of profits as seen by the authors of the documents are diverse. Representative of such requirements are factors such as vision, planning, vigorous merchandising, effective use of professional and management skills and careful control of costs. Here the drafters seem to have stumbled. Their lists could go on endlessly, for what does not affect at least indirectly, the profits of the
company? The coverage of the profit factor in its detailed aspects is thus clear. More generally, the coverage on profit clearly recognizes that there is an obligation on the part of industrial companies to earn such profit and that profit is the test of the success of the firm in its economic role.

Dividends. The ideas expressed on rewarding investors for the use of their funds is a further extension of the discussions on profit. The intentions of the top management to pay out to investors some amount of the annual profit is the subject of the factorial coverage on dividends. The statements on profit and dividends are so close together that it is difficult to make a distinction in many cases. Many of the statements that related closely to dividends are to be found in the section on profits. There are nine respondents who say something sufficiently separate on dividends to enable a distinct division. The statements are all very much alike. They merely recognize a dividend obligation to the stockholders. The level of the obligation is indicated by words heard before. Adequate, sufficient, normal, are typical. The documents definitely cover the factor of dividends to shareholders.
Use of capital. The subsection of the collateral service objectives of owners which deals with the use of capital is covered by nine respondents. The over-all impact of the statements is that top management recognizes its fiduciary capacity in the stewardship of the shareholders investment and that the funds are to be used in such a way as to increase the total amount. There are prohibitions against certain uses of capital as well as assertions on certain desired uses of capital. The prohibitions pertain mainly to the use of capital for the payment of current operating expenses. The paramount use of capital which is specified clearly is that retained earnings are to be used for reinvestment in the company. Further, three of the respondents declare that borrowing on the equity of shareholders for the ultimate benefit of shareholders is to the benefit of shareholders while others declare that such practice is to be avoided. There are a host of detailed rules which are asserted by individual companies such as maintenance of adequate cash balances, adequate insurance for protection of assets, credit extensions, budgetary systems, use of conservative principles, and criteria for new investments. The authors of the
document thus consider the stewardship of capital to be sufficiently important that nine of them take positions on the subject.

**Information.** The last category of collateral objectives of owners, pertains to the desire of top managements to keep the present and prospective shareholders informed on company operations. Only three documents provide any coverage of this factor. The three statements merely say that top management intends to keep sources of capital abreast of the company situation. It is notable that only three companies take a position on this point.

**Suppliers and dealers**

Suppliers and dealers receive coverage by a significant number of the companies. Eight of the documents give treatment to these parties. The companies recognize a major group whose interests must be satisfied in order to protect the welfare of the company. The ideas regarding suppliers deal with the need for honest and ethical practices, the need for fair prices from suppliers, the recognition that many factors bear upon the selection of sources but that all other factors being equal, the suppliers with the lowest price is to be favored and the
degree of reliance upon suppliers versus the ideal of self-manufacture. The relations with dealers on the other hand suggest quite different ideas. The assertions on fair dealings are to be expected, but the authors then go on to assert a respect for the independence of the dealer, and in the same phrase assert that the dealer is expected to maintain certain specified standards on product quality and customer service. The prosperity of the dealer is seen as integral to the success of the manufacturer. The suppliers, those who provide inputs to the production of the company's products, and the dealers, those who distribute the products of the company apparently are so important to the companies that they are the subject of coverage in the documents.

Organized labor

For labor unions only one respondent considers it necessary to say anything. The statement asserts that employee relations shall be so skillfully conducted that the employees will feel no need for third party representation. However, where such representation agreements exist, they will be faithfully followed by management personnel. The natural question is why more stated
philosophies do not have something to say about relations with organized labor. It is apparent that the top management groups consider employee-management relations a prerogative of management and that the existence of collective bargaining agreements are a negative factor which they would just as soon not have. This conclusion is almost unavoidable from the virtual nonexistence of statements on relations with labor unions.

**Competitors**

On relations with competitors the documents reveal several major ideas. There is the ideal that competition with other companies will be conducted in accordance with established ethical practices and that such competition will be aggressive but clean. The respondents want to be strong competitors but want to avoid competitive practices which can become ruinous, misrepresentative to customers or which violate policies of customer service. Only four documents contain any declarations on this subject. It is to be expected that more would contain coverage on this vital category of groups whose interests affect that of the company.
Civic and government units

In the general category of collateral social objectives, the documents give substantial coverage. The two major subsections of organized society and civic and governmental units are covered by twenty-one and seventeen documents, respectively. Regarding the latter, the detailed breakdown of coverage deals with taxes, obeyance of laws, employee participation in the governmental process, the kind of citizen the corporation wants to be and the responsibility the corporation is willing to assume on monetary contributions to acceptable causes.

Taxes. The gist of the assertions on taxes has two elements. One element is that the company does not want to shirk its duty to pay taxes. It intends to pay them. The second element is to the effect that taxes can act as a depressant upon incentives when they serve to penalize some group and to subsidize another. The documents contain the clear message that any proposals for new taxes will be closely studied by the companies. They intend to take a position to advocate or oppose any new imposition of levies depending on whether they see the tax as a spur to economic growth or as an unjustifiable demand for unneeded
government participation whose burden must be borne by corporations. The top managements of a significant number of major American corporations thus include the subject of taxes in their stated philosophies of management.

**Laws.** The ideas contained in the documents on the formal constraints imposed by government upon business behavior, are basically two in number. One such idea is that the corporation questions the wisdom of the expansion of laws and implementing regulations. Such actions may have the effect of curtailing the freedom of industrial corporations to perform the role which they are expected to play in the American economy. Secondly the top managements desire that for whatever laws do exist, that they be obeyed in both spirit and letter and that conformity to the law is essential for a condition of public and customer confidence in the corporation.

**Community participation.** The governmental process either by formal governmental agencies or by voluntary civic groups is viewed by the framers of the documents as a critical dimension of the corporations involvement in society. Eleven of the corporations encourage the participation of employees in community organizations which make a
positive contribution to society. The corporations are willing to allow employees to take reasonable amounts of time away from normal working hours for this purpose. Some hedge further and state that the employee's job must be adequately taken care of. If recognized political parties are involved one respondent is even willing to have employees fill public office. Another respondent limits such participation to a non-partisan basis. It can be concluded that a significant number of respondents do encourage their employees to participate in community organizations for public benefit and that the company is willing to bear some of the cost of participation.

Financial contributions. The number of respondents which see fit to include in their management philosophies any ideas on financial contributions to altruistic organizations is only five. The statements are of the most general nature, merely saying that the companies will make contributions. One respondent limits its contributions to geographical areas where company installations are located. The statements view the support as of a sustained nature. One respondent uses as a basis for the selection of recipients, an evaluation of needs, the benefit which the
employees may receive and the contribution to broad public interest. One respondent limits such aid to non-sectarian institutions be they educational or charitable. The low number of companies which give coverage to the topic of contributions is not to be taken with any alarm. The writer believes that the low number is traceable to the generality of the language of the documents. Further explanation is offered in the paragraph which follows.

**Responsible citizenship.** Some of the statements are so general that they are not classifiable by any other label than simply responsible citizenship. Seventeen companies say something that can be inserted under the caption. The comparative few companies which say anything on taxes, laws, employee participation and contributions is more a function of the generality of the over-all statements than anything else. It is believed by the writer that the foregoing detailed subcategories are in fact covered indirectly by all-encompassing statements which are found under the caption of responsible citizenship. If responsible citizenship includes anything it includes the obeyance of laws, the payment of taxes, employee participation in government and voluntary groups for community betterment,
and the making of monetary contributions to worthwhile causes.

The statements on responsible citizenship typically contain such phrases as good citizens, real Americanism, civic and community obligation, social responsibilities, good neighbor, and corporate citizens, which are indicative of the language used. The statements detail the meanings to a certain extent. Two respondents for example take a position on the corporation speaking out when its interests or the interests of the general public are to be safeguarded. One document declares that employees who participate in politics should support the free enterprise system. Fostering an active interest in the betterment of communities, to work for good government, to give the military first claim upon the resources of the company in wartime, and to inform the public of the corporation's position on various issues are miscellaneous topics mentioned sporadically in the statements. It is safe to conclude that collateral social service objectives pertaining to government and civic organizations is very much a part of the formal statements of management philosophy.
Organized society

The final category of collateral social service objectives pertains to the general public, the economic and political system, a world-wide orientation, and natural resource conservation. Twenty-one companies or 75 per cent say something regarding organized society in general. The corporation in its general societal context is very much a part of the documents which form the source of data for this project.

General public. The attitude of the corporations toward the general public and the attitude which the corporation wants the public to have with the corporation, come out clearly in the statements which are a part of the general public category. This desired attitude is one of mutual confidence or a working partnership. The corporations want to conduct themselves so that they shall merit the confidence and trust of the public.

Economic and political system. The assertions on economic and political ideas are perhaps the most voluminous of all the areas of factorial coverage. The bulk is not indicative however of the essential meaning. The essential meaning boils down to basic concepts behind our economic
system. The statements are alike in proclaiming that the corporations desire to maintain free enterprise, profit motive, individual dignity and liberties, competition, private ownership, and stable dollar value. The government is seen as playing the role of safeguarding the maintenance of these conditions. Centralization of government at the national level and the expansion of government in the economy is seen as a diminution of the conditions mentioned in the previous sentence. The documents are a strong protest against adverse trends. This short treatment of the subject of economic and political concepts does not mean that the documents do not say much on the subject. Each company's statement is a juicy morsel, packed with meaning. The reader is referred to Appendix F which provides the extracted statements in full.

**Global outlook.** The number of companies which see themselves as citizens of the world rather than as citizens of the United States only is very few. Only two documents reflect the view. The ideas presented, however seem significant as indicators for the future. The expansion of international trade is necessary to the improvement of the welfare of the world. The companies take a strong
favorable position on government programs designed to stimulate world trade and investment overseas.

**Natural resource conservation.** The last subitem pertaining to organized society deals with the use of raw materials taken from nature. Five of the documents take the position that the company is willing to practice economical use of resources and where possible replace what is taken away if the resource is renewable. Waste is seen as undesirable. Of course this kind of a statement applies only to those companies which would be engaged in some kind of extractive operation of resources which are not in abundant supply. One can expect that the number of documents covering this factor would be limited. Five is therefore not to be taken very seriously, as being indicative of some failing by American industrial corporate management.

The collateral service objective category covers a broader spectrum of subjects than any other segment of the outline of management factors. The segment is relational in nature. The attempt is made by top management to relate the corporation to the many interest groups, internal and external, which impinge upon the success of the firm.
Summary

Regarding the treatment of collateral service objectives, the documents show the following characteristics:

1. They concentrate on the personal interest of employees, owners, selected outside groups and upon general social responsibilities.

2. The personal interests of employees which are primarily dealt with include promotion, compensation, employment stability, personal growth, working conditions, and communication with the employee.

3. The personal interest of owners is given recognition by discussing the subfactors of profit, dividend payments, the use of capital, and provision of information to the shareholders.

4. The only outside groups whose personal interests are recognized in any degree pertains to supplies and dealers with the relationship described generally as one of mutual benefit.

5. The social responsibilities of the companies receives recognition by coverage of the desired relationship to government and civic units and to organized society in general.
6. Relationships with government and civic units include the intention to pay taxes, to obey laws, to have the company personnel participate in such organizations, to make monetary contributions to altruistic efforts and in general to be responsible citizens in a democratic society.

7. More general assertions about organized society pertain to obligations to the general public, selected economic and political concepts, world citizenship and protection of natural resources.

Secondary service objectives

The number of documents which expressly say something about secondary service objectives total seventeen or 60 per cent. The performance of total company operations so that objectives are achieved with optimum cost performance is indirectly mentioned by practically every document. It is a strong pervading theme throughout all twenty-eight documents. The criterion for direct mention is whether the documents use the words of effectiveness, efficiency, improvement of costs or maximum value for effort, directly with the question of economic performance. The individual

3The source of information for the discussion is found on pages 449 through 450 of Appendix G. The figures are taken from Figure 1, p. 119.
statements which are garnered in this fashion are not very specific. They use phrases such as, "operate with maximum efficiency, looking toward the lowest possible costs and prices." It can be concluded that secondary service objectives are covered in most of the documents. Directly, however, only seventeen documents mention key words or phrases.

Summary

This chapter has attempted a description of the documents in terms of the way they appear, their formats, lengths and titles. The style of composition has been described. The documents have very fancy and pleasant appearing formats as well as simple mimeograph on loose leaf paper. They are relatively short in length. The titles are very similar. The language used is largely normative couched in most cases in the most general kind of expression.

The chapter has attempted a description of the documents in terms of what they contain on the subject of primary, collateral, and secondary objectives. Appropriate
conclusions were drawn from the study of these three factors on pages 145, 171, and 172. Any greater summation here would so reduce the meaningfulness of the substantive findings that the reader is referred to those pages.
CHAPTER VI

THE CONTENT OF A PHILOSOPHY OF MANAGEMENT

Introduction

The objective of this chapter is to complete the description of the substantive content of the documents. It is a continuation of the previous chapter. The objective is pursued by dealing with the remaining nine factors in a written philosophy of management. These factors are: personnel, standards of business conduct, executive leadership, policy, physical performance factors, organization structure, business functions and organization morale.

Personnel

The factor of personnel deals with the demands upon the employees as part of the employment contract with the company. These demands of necessity are set forth by the members of top management. They therefore have seen fit

1The source of information for the discussion is to be found on pages 451 through 463 of Appendix G. The figures are taken from Figure 1, p. 119.
to place many of the central ideas into their formal statement of management philosophy. Ninety-five per cent of the documents mention this factor.

The coverage of the factor of personnel can be conveniently divided into the subtopics of, caliber of performance, individual dignity, appraisal, creativity, company reputation, placement, selection, balance of interests, honesty, personnel development, and equality of technical and administrative personnel.

Caliber of performance. Twenty of the documents or 71 per cent have something to say about the level of performance which the company demands of the employees. The statements all assert that the quality of employee performance is expected to be high. The manner of expressing the idea however is quite different. The following phrases signify the diversity of expression; "every employee to achieve the highest level of performance and attainment on his job, never to be satisfied with anything less than the best results possible of attainment, to maintain a highly productive, energetic and loyal organization of men and women, expects of employees superior job performance, teamplay, constructive attitudes, and
discipline, the objective of having the best team in the field, we will make maximum use of the experience and abilities of our people." The statements usually go on to explain that such high levels of performance cannot be attained without first obtaining highly qualified individuals and the maintenance of other job conditions, and that given these, it is possible for the company to achieve its objectives. The view that the documents reflect on the coverage of this subfactor is that people are a resource of the company. This resource is to be husbanded and utilized to its fullest extent.

**Individual dignity.** The second subfactor of personnel which is personal dignity, is covered by fifteen or 54 per cent of the statements. The recognition that each person is a unique being with special needs, capacities, and feelings of self-importance, is a strong element of the documents. The individual statements which are emblematic of this idea can be seen in the following extracts; "employ . . . individuals who can adapt to their environment without diminishing their contribution, individual effort and successful accomplishment are most important to ____'s success, there must be mutual respect, a true sense of
humanity in dealing with others, respects the human dignity of each individual, showing the subordinate that he is respected as a responsible member of the organization and as an individual giving him a full hearing." This cardinal principle of modern human relations practice is forcefully illustrated in the excerpts from the documents.

**Appraisal.** The ideas which underlie employee appraisal do not come out as pronounced as do ideas on dignity and performance. Nevertheless the idea is clear in at least eight or 28 per cent of the statements. The practice of reviewing the performance of personnel has several central themes in the documents. The appraisal should be in private except when it is laudatory. The appraisal should be based upon objective information. The appraisal should be discussed with the employee and should be conducted periodically. The net effect which is desired is that the employee will know what is expected of him and that he should be informed as to how he is doing in comparison with expectations. The foregoing of course do not show up in every statement. The most that each individual statement accomplishes is to assert that appraisal is a part of management practice. The fragmentary expressions of the
underlying ideas when brought together, constitute the foregoing.

**Creativity.** The top management groups who draft the documents see fit to include the factor of creativity of employees. The free release of ideas by employees and the eager implementation of sound ideas by management is very much a part of the documents. Fourteen or 50 per cent of the documents come out clearly on this point. The statements which are directly to the point include phraseology such as, "stimulating initiative to suggest . . . and promote improvement, constantly develop new and improved techniques, we must realize that exercise of ingenuity, and initiative, boldness in innovation, willingness to adopt new ideas and methods, together with an urgent desire to make the best possible product which can be sold with enthusiasm, expecting that subordinates not only identify problems but to continually insist they propose solutions to such problems." The idea here is that an employee offers much more than a set of hands with which to do manual work under instruction. The employee has a mind who sees all around him opportunities for better performance. The top management teams desire conditions of work that enable
an employee to announce his observations and have them seriously considered and implemented if the idea has merit and if no limiting factors prevent doing so.

**Company reputation.** The idea that the net effect of all that the company does with its employees is to have a place of employment which is attractive to present and potential employees comes out in six or 21 per cent of the twenty-eight statements. "Confidence in the ability and integrity of our management, a place in which our employees are proud and happy to live and work, improve our image to attract employees, to stand pre-eminent in the eyes of all people of all nations as a desirable company for which to work, a place not only where men want to work but where they will be happy in their work and seek to do their best in the common interest," were typical expressions of this basic idea. This seems to be a recognition that the top management group may not be too sure about the means but there can be no altercation about the ends. They want their companies to be a desirable place of employment for the mutual benefit of both parties.

**Placement and selection.** Strongly a part of previous excerpts under headings other than employee placement, is
recognition of the critical administrative act of matching persons to jobs. The fact that only three or 10 per cent of the documents clearly make a separate declaration on this point can be misleading. The factor of employee placement is much more pervasive in documents than is shown by the enumeration in this study. The central thought which is revealed in the documents is desire for a definite correspondence between the individual's mental and physical abilities and the demands of a given job. The jobs furthermore are to be sufficiently demanding that a person's capacities are challenged. Close to the idea of placement are the notions on employee selection. Eight of the documents or 28 per cent assert the importance of the act of selection. The methods are to be the best available. Merit and a person's experience are the criteria. The highest qualified and most capable are to be the persons selected for employment.

Balance of interests. The documents show clearly that management has the problem of finding a balance between the many demands which are made upon the business organization. Fifteen documents or 54 per cent have a very pronounced declaration on this point. The expressions of this idea
are varied. Many simply assert that in any given decision the criterion of what is best for the business as a whole shall govern. Others merely state a desire for good relationships between all parties. Another group states that it is the job of management to serve the diverse interests and that such service is best performed by making the business firm as successful as possible. Some merely use the key word of balance as the desired relationship between the various interests. There can be no doubt, despite the varying modes of expression that the documents do reflect the need for satisfying many interests and that the best way to do this is to make the enterprise successful in its service to customers.

**Personnel development.** The central ideas which underlie the formal efforts of the management team to increase the capacities of the employees are subsumed under the caption of personnel development. The top management is saying to its employees that they can expect to have their skills and knowledge upgraded as a part of the requirements of employment. The top management intends to employ the means to have personnel development take place. The means which are mentioned in the documents are many. On the job
training, formal instruction and other techniques are a part of a total organizational milieu that fosters an individual's desire to develop himself. It is logical that this idea be a part of the content of the factoral coverage since it is concomitant to the notions on personal growth, caliber of performance and individual dignity. A person can expect to grow if the organization intends to make it possible. His caliber of performance can be improved if the organization intends to facilitate the improvement process. A person's individual dignity and worth can only be realized if his talents are developed to the point that he knows satisfaction from worthy pursuits. The intention of American industrial corporations to carry out personnel development efforts is apparent from the formal management philosophies.

**Equality of technical and administrative personnel.**

The equality of technical and administrative personnel is an idea that is clear in only two of the statements of formal management philosophy. It is mentioned in this study because it may be a harbinger of the future. The statement, "To provide an opportunity for individuals to achieve eminent stature and high level monetary rewards
through the technical or staff specialists route as well as the administrative route," is a recognition that the role of the scientist is as important as that of managers. Each is a specialty which can be effectively practiced only if such specialization takes place. The encouragement of specialization and consequent greater competence is accomplished by a statement in the formal document. The expanded role of research and the increasing technical complexity of products may cause a change in many management philosophies.

**Standards of business conduct**

The factor of standards of business conduct is pervasive throughout the statements. It is difficult to say anything about management that does not have ethical overtones. In this sense all the documents say something about standards of conduct. The documents which say something directly are twenty-one or 75 per cent of the total.

**Ethics in general.** The statements are very general in most cases. These kinds of assertions are put under the caption of ethics in general. Thirteen of the documents or

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*Ibid.*, pp. 464-467, Appendix G, and Fig. 1, p. 119.
46 per cent make a general statement about ethics. Key phrases from these statements are, "sound business and moral considerations, high standards of ethical conduct, good taste and common courtesy, the Golden Rule, ethical principles, unquestionable honesty and complete fairness, the integrity of our management."

Conflict of interests. The authors of the documents see fit to specify in five cases that employees have a duty to avoid or reveal any conflict of interest situation so that they can be above reproach if any questions on undesirable influence arise while performing company duties.

Non-discrimination. Elsewhere in the categories of employee selection, placement, and promotion are statements that the underlying criteria is to be merit alone. This implies that the company does not intend to discriminate because of race, color or creed. The non-discrimination factor is thus covered in greater scope than is indicated by the two mere statements quoted under the caption in Appendix G. It is safe to conclude that the documents give recognition to the need for standards of business conduct to a high degree, although specificity is lacking.
Executive leadership

Twenty-one or 75 per cent of the documents cover the factor of executive leadership. The ideas that are clear from this factor are five in number, covering the sub-topics of the requirements of executive leadership, the common responsibilities of managers, the functions of a manager, management continuity, and the use of objectives in the management processes. The factor of executive leadership is very close to the factor of organization structure. Discrete divisions of the content of the statements into one of these factors is in some cases, difficult to accomplish. A full understanding of what the documents cover on executive leadership can therefore be obtained only by also reading the paragraphs which follow on organization structure.

Requirements of executive personnel. The requirements of executive leadership covers general assertions which show in sixteen of the statements. They are proclamations which the top managements have placed in the documents to describe the need for a cadre of managers as a first requisite for success, and which then go on to describe

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3Ibid., pp. 468-83, Appendix G, and Fig. 1, p. 119.
some of the special characteristics of the management team which top management sees as essential to meet the needs of the company and in order to have compatibility with the total philosophy of the company. These particular needs are described by excerpts such as; "strong profit orientation and high sense of urgency, a trained, unified, efficient and loyal team, an efficient general management, be able to understand men and secure their cooperation, to understand and deal successfully with the laws of economics and those emanating from the government, competence and courage to make decisions within the limits of authority delegated to them, to have competent supervisors who are fair and concerned for the needs of employees."

A number of the documents elect to describe traits which are desirable for the managers of the company to have. The document chosen for quotation in Appendix F on page 469 is an example of such an enumeration of traits. When the top managers isolate critical characteristics such as, aggressiveness, adaptability to change, researchmindedness, and initiative, these characteristics are presumably based on a consideration of the special needs of the company. The group of managers consider it necessary to
define among all the personnel of the organization, the elements that set its managers apart from everybody else as, "one who is accountable within his assigned area of responsibility for establishing and meeting company objectives primarily through the efforts of other people."

Another document goes into greater detail saying that managers must not rely upon giving orders but must obtain voluntary cooperation. The techniques which are effective vary with individual subordinates but the same end result of subordinates being challenged in their imaginations and abilities is desired. Finally, leadership is earned not granted. It is not possible to place into Appendix G all the material from each document since the quantity of pages would be too great. The material that is placed into Appendix G is selected as being representative of the kind of statements which appear on the subject of general requirements of executive leadership.

**Common responsibilities of managers.** In an organization there are certain responsibilities which are common to any management position. Three of the documents cover this topic. An inspection of Appendix G on pages 472-77 shows that the three documents have a great deal of similarity in
what they say. The subjects on which each of the statements seem to say something and the gist of the meaning is extracted as follows:

1. Objectives - All managers will know and support them for the entire corporation, the division, the department and assigned areas of responsibility.

2. Policies - All managers will keep informed of overall corporate policies as well as those that apply directly to assigned responsibility.

3. Consultation - Keep in close touch with superiors on important matters.

4. Delegation - In accordance with the basic organization plan in full acceptance for results.

5. Communication - Establishment of a network by which information is transmitted.

6. Personal Planning - To plan individual work systematically and control personal activities.


8. Property Custody - Safeguard company assets.


10. Promotion - Filling positions with capable persons, from within if possible and to have a program for replacement.
11. Informed - Keep abreast of all matters of specific and general interest that affects the performance of the job.

12. Organization - Follow the principles which have been laid down.

These statements on common responsibilities have a few items which appear only in one document. They do not appear to deserve any special comment here. What is significant is that three top management teams show so much agreement in the common responsibilities of all the company's managers.

**Functions of management.** It is safe to say that not one of the documents omits a mention of management functions. In the discourses on the various subjects the implications are very strong at one point or another on the functions of a manager. Indeed, it is difficult to see how a management philosophy could be written without having the functions of management interwoven throughout the document. An enumeration on this subfactor however is done for only those statements which devote a discrete section to management functions. The purpose is to see how many of the documents do devote separate attention to the subject. Eight or 28.6 per cent of the documents do give separate
treatment. The quotations shown in Appendix G are selective to show that the documents do consider the concept of functions of management important. The functions are described in many ways. They boil down essentially to planning, organizing and controlling.

Management continuity. The documents likewise give a great deal of implied recognition to the idea that there must be a provision for orderly succession of management. The quotation in the Appendix on page 481 is representative of the concept.

Management by objectives. The documents demonstrate the central role which formal objectives play in business management. Indeed, two documents take up the theme of management by objectives and develop the entire treatise around the paramount position of objectives. These documents make objectives the core from which relational statements are made on the management factors which compose a complete philosophy of management. The documents thus recognize that executive leadership is a critical aspect of the body of ideas that undergirds management thought. It deserves separate attention in a formal statement of philosophy.
Policy

Policy and its general relationship to the formal management philosophy is given treatment by fifteen or 54 percent of the documents. This study establishes that management philosophies are implemented by policy. The organization assimilates and makes an operational reality the philosophy of management by having specific guides to follow. These guides are policies. Adherence to the philosophy is carried out by enforcement of policy. It is appropriate that the documents address the subject of the extent to which the management philosophy of the company is to be adhered to by the members of the management team and the intent of top management to see that it is followed. Six or 21 percent of the documents give separate attention to this question. It is to be expected that the documents assert some ideas on the application of policy to operational problems. Five or 18 percent of the documents cover this question. In many cases management may have problems for which there is no governing policy. It is then necessary to develop a policy if the situation

\(^{4}\text{Ibid.}, pp. 483-97, Appendix G, and Fig. 1, p. 120.\)
is expected to be repetitive. The development of policy is given attention by four of the documents.

**Adherence.** In the introduction to the documents the authors are careful to describe the role which the documents play in policy administration. As can be seen in Appendix G, page 483, the excerpts have certain universal themes. Rigid adherence is not called for. The use of such phrases as, over-all, broad, when applied with understanding and good judgment, not intended to tell anyone, easier to state than to apply consistently, all seem to point to the plea for using the statements as general guides only. But in the same statements the caution is offered that the documents are definitely to be used. Phrases such as, they constitute our code, the following principles are indispensable, virtually all defections from principle brought adverse results, committed to strict adherence, what they are and how they are intended to operate, to establish the enduring principles, indicate the other side of the coin.

**Application.** Calls for flexibility are encircled by the call for application. The promise to apply the document is a theme of the statements. Contained elsewhere in
the documents are ideas on policy application and development. The method of application is to be fair, effective and consistent. Further the document as implemented by policy is applied to "long term" type of communication, is the prerogative of the President of the company, is kept to general statements when possible to allow maximum discretion by subordinates.

Development. The need to develop policy rests upon a recognition that change takes place, that such change be incorporated into the policy body, that new policies should be reviewed by interested parties, and that a method exists for distribution of new policy. In summary, the factor of policy is covered in statements of management philosophy by treating the question of adherence, application and development.

Physical performance factors

The factor of physical facilities shows up in thirteen or 46 per cent of the documents. The basic coverage is typically limited to the most general kind of expressions such as, to have the best of tools and machinery that

\[5\text{Ibid., pp. 497-98, Appendix G, and Fig. 1, p. 120.}\]
modern technology can make available, and to take aggressive action to improve facilities. The documents in some cases then go on to specify certain additional ideas. The idea that there is a close causative relationship between modern equipment and low cost production is found in the statements. In addition, the idea is expressed that the company expects to solve many of its facilities problems itself by developing its own proprietary machinery. Finally two of the documents assert that plant locations are to be held to a minimum to hold down overhead absorption in times of reduced demand. The coverage of the statements on the factor of physical facilities is to a significant degree.

Organization structure

The documents include a treatment of the factor of organization structure. Twenty or 71 per cent of the written statements see fit to isolate this factor separately and to devote some detail on the relationships between functions and personnel. The topics that are isolated from the documents as being covered by a

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6 Ibid., pp. 499-522, Appendix G, and Fig. 1, p. 120.
significant number are: decentralization, delegation, relationships, communications, committees, procedures, principles of organization, flexibility, and cross contacts. The extent to which these subfactors are covered in the documents is shown in Figure 1, Chapter IV.

**Decentralization.** The ideas expressed in the documents on the desire of higher management to assign duties and functions to subordinates are brought together under the caption of decentralization. The thoughts on decentralization are broad. The gist is that primary responsibility for operational results is assigned to heads of major organizational units, known as divisions, departments or regions. The major units are grouped so as to be fully functionalized and to have the assignment for a specific product. The statements usually assert that such an organizational pattern is necessary because of diversification and size and that the benefits enjoyed justify the wider dispersion of the management function.

**Delegation.** The personal process which managers go through in assigning responsibilities to subordinates and the acceptance of the delegation by the subordinate, is covered in the documents. The manner of coverage is merely
to state that delegation is important as a concomitant idea to the notion of decentralization. The documents are careful to say that delegation relieves the manager of none of his accountability. The Principle of Fixation of Responsibility and Authority comes out clearly. Earlier the same idea comes out in discussing the common responsibilities of managers.

**Relationships.** The factor of organizational relationships is dealt with in greater detail than is any other factor. The coverage, however, is rather simple when it is boiled down. The central element is the relationships between the primary line and staff components. The documents call for a condition of teamwork between the two divisions of the organization structure and declare that teamwork is a responsibility of every manager. The traditional definitions are set forth. Both staff and line are defined in terms of authority and in terms of assigned duties, the staff essentially advisory and the line in a command and decision making role. The documents admonish line executives to use staff and encourage staff personnel to act in a service capacity only. The documents emphasize that the rights of final decision lies with the
line manager. The organizational echelons referred to in almost all cases are the central headquarters staff and the decentralized divisional managers.

One document mentions briefly line to line relationships between decentralized divisions, and asserts that divisional relationships will be on an arms length basis. Independence of action is the desired condition. If a division feels the need for arbitration on any question the right is granted to appeal to top management. In this manner one division is prevented from treating another division in such a way as to cause permanent and long run harm to the total corporation. It is clear that the formal philosophies of management do espouse some well-established principles of organizational design.

Communications. Communications are the subject of a great deal of discussion in 39 percent of the documents. The contents of the declarations on communications are replete with adjectives such as, frank, friendly, open, free, informal, to describe the nature of communications that top management wants to establish or maintain in the organization. The documents contain the feeling that cross-contacts are to be encouraged, that the superior is
to be kept informed of the communication, especially on certain defined issues. The misuse of organization charts as indicating channels of communication is mentioned. Likewise, the act of making decisions is negated unless such decisions receive adequate treatment in the communication process. A call is made for two-way communication. Such a condition is reached by information being received with confidence. If it is received with confidence and the information is over a period of time honest, accurate, reliable, and responsible, then confidence will become permanent. In order to have confidence develop the sender must have knowledge and understanding of that which he transmits. The documents thus depict the communication process in sufficient importance to devote special attention to it in a formal declaration of the management philosophy.

**Business procedure.** The factor of business procedure is given nodding recognition in the documents. The documents simply assert that continuous effort toward simplification of structure and procedure is necessary. One document ties procedure in with employment costs asserting that methods and procedures study are a vital part of
reducing employment costs. Recognition is given to the factor. It cannot be considered a major area of treatment either by the volume of words or by the number of documents which cover the factor.

Committees. The committee as a device of organization is apparently such a popular method but so replete with dangers that two respondents elect to talk about them. The treatment is to cover the values which committees have and then to point out the weaknesses. In order to enjoy the values and to avoid the problems guides are suggested for the use of committees.

Flexibility. The need for organizational flexibility is clearly expressed in the documents. Top managements are sufficiently concerned about organizational rigidity to state in their formal philosophy that they intend to avoid it. Adjustment of the organization to the changing needs of the enterprise is thus viewed as a prime area of concern for top managers.

Business functions

The major functions of the business organization are a paramount topic of coverage in the documents. The top

\[7\text{Ibid., pp. 523-531, Appendix G, and Fig. 1, p. 120.}\]
managements of the companies which are studied show a clear awareness of the importance of certain functions to the success of the enterprise. However, the manner in which the separate functions show up in the documents is quite different. In the portions of the documents dealing with primary service objectives, the paramount role of the marketing function is very apparent. Likewise, in the discussions of collateral service objectives pertaining to owners, the financial function is evidently quite important. Perception of these two functions is clear if the excerpts in Appendix F on primary service and collateral objectives are perused. Mention of the manufacturing function is made directly in statements such as "to manufacture a broad line of lumber products." Indications of the importance of the manufacturing are apparent only by single word comments. For the personnel function, this is indicated by the voluminous phraseology on human relations, all of which is reported upon under the personnel factor. The organizational function of public relations is mentioned in the documents when the need and intent is mentioned to inform the public on company views or in telling the public about the company. The foregoing
organizational functions, therefore, are not mentioned in the Appendix in any major way. The only function that is shown in the Appendix is the function of research and development. The quotations from the documents are shown to demonstrate that research and development is a major business function. The top managements realize that the one way to avoid obsolescence of product is to carry on a program of inquiry. The documents assert the desire of the companies to carry on a strong research effort. The most words are devoted to means and methods to control the research effort. The areas of present as well as prospective product uses are major areas of inquiry. Three of the documents proclaim a desire to engage in long range research as well. Another idea is that the research is viewed as a deliberate, programmed effort. Further, to use the words of one document, the research effort is to be "market directed." Key words which indicate additional meanings on control criteria are selectivity, creativity, continuity, applicability and timeliness. One document stresses the need to work toward patentable developments. Another emphasizes the spread of sponsored research into non-product areas such as human relations, and production.
Interestingly, one document points out how the research point of view has been helpful in other functions of the business organization in solving problems. There is the strong suggestion that as a major business function, research and development has become predominant.

Morale

A thorough reading of each one of the documents, leads one to the conclusion that the top managements of all the companies are very much aware of the need to build morale in the organization. Indeed many of the statements on personnel and collateral objectives of employees are intended in the end to influence favorably the attitude of people toward the company objectives. The documents do place a great deal of stress upon morale. As has been the case throughout the enumeration of factorial coverage, only the statements or portions of statements which dwell on a given subject are counted as covering the factor. Seventeen or 60 per cent of the documents dwell directly upon morale. The variations on treatment of the subject are not very great. The common word in all the writing is

\[8\] Ibid., pp. 532-534, Appendix G, and Fig. 1, p. 120.
cooperation. The other words which readily substitute are, favorable attitudes, teamwork, high spirit, or cooperative relationships. Some of the documents make a call for cooperation on the part of employees. Others stress that cooperation or morale is the great medium through which company work is carried out. The benefits offered in the documents from a condition of optimum morale are so many that there is not a factor or function that does not receive its due mention at some point.

Summary

Of the seven factors discussed in this chapter, it is now possible to offer the following summation:

1. The documents in giving coverage to the personnel factor concentrate on caliber of performance, dignity of the individual, creativity of employees, personal development and the need to balance the interests of the parties who make demands upon the company.

2. The content on standards of business conduct is of a most general nature. The topic is mentioned by three-quarters of the documents which were studied.

3. Seventy-five per cent of the documents cover the factor of executive leadership, however, there is no
pronounced tendency on any specific subfactor except for 57 per cent which contain assertions on the requirements the companies have for executive performance.

4. Only half of the companies discuss policy and in these cases only to demonstrate that policy holds a key role in the control of company affairs.

5. Physical factors are mentioned by 46 per cent of the documents. The treatments afforded to the subject are brief and general, usually attesting to the desirability of adequate physical plant and facilities.

6. Organization structure, although covered in some respect by twenty or 71 per cent of the documents, is not treated in a common manner to any significant degree. The exception is the topic of communications. Stress is placed by eleven or 39 per cent on communication within the organization structure.

7. One or all of the major functions of the industrial organization are discussed in 75 per cent of the statements of philosophy. Marketing, production, finance, public relations are mentioned by 20 per cent with research and development being covered by 70 per cent. The
documents stress the importance of certain key activities of the enterprise.

8. Sixty per cent of the documents stress the need for favorable morale in the industrial organization and the intention of management to strive for cooperative relationships.
CHAPTER VII

CONCLUSION OF THE PROJECT

Introduction

The preceding chapters reported the findings of the project. In this chapter a summary will bring the findings together into a simplified restatement of the subject. The possibilities for additional inquiry will then be set forth. An attempt will be made to show the essential threads of thought which pervade the documents. The chapter will end with a set of recommendations to practitioners on the use and nature of a written management philosophy.

To the writer's knowledge this project is the second one that has explored the subject of formal management philosophies. The other project was sponsored in 1957 by the American Management Association. The report in previous chapters on research findings has taken into account the AMA findings. The AMA study and this study are in part overlapping. Where the study directly overlaps there has been a general reinforcement. No findings that
were directly opposed developed. This study goes beyond the scope of the AMA study, especially regarding the nature of management philosophies. The AMA project dwelt exclusively on the functioning of the document. This study added much on this question and also covered the content of the documents.

**Functioning of a Formal Philosophy of Management**

A summary of the functioning of a formal philosophy of management breaks down into four subdivisions: the purpose, development, implementation and evaluation.

**Purpose**

It is one of the very clear findings of both research projects that a formal philosophy of management assists in developing greater unity with the many parties with whom the top management team must deal. The AMA study expressed the purpose of a philosophy of management differently.¹ It

¹The AMA study listed the reasons for a formal philosophy of management as being that of (1) To define the purpose of the company. (2) To define the philosophy-character of the company. (3) To create a particular climate within the business. (To communicate the basic purposes and ethics of the company to all those in company ranks so that they may communicate them to customers and others outside the firm through their actions.) (4) To set
concluded that the "company creed may be thought of as the most basic sort of guiding statement of company objectives." This is close to the concept of unity of thought and action. It seems safe to say that both studies are in agreement on the purpose of a philosophy of management.

Development

A formal philosophy of management may be needed in an organization when:

1. The Organization is Growing. It reaches a point when the chief executive can no longer be an effective influence on the value structure of the organization.

2. New Management Personnel are Added. The assimilation of new managers into the organization's value structure may not take place unless it is specifically provided for. A written document is vital to this effort.

3. There is a Need for Delegation and Decentralization. These rest upon unity of understanding which can be facilitated by a written document.

4. An Organization Becomes Large in Relation to Other Societal Institutions. The need to declare desired relationships to such centers of power and to provide an underlying rationale of behavior causes the need for a document.

The AMA study did not offer any of the conclusions just offered except on the recency of the development of formal philosophies. Both projects did find that most management philosophies have been developed since World War II.

After the need for a written philosophy is recognized the organization may start action. This stage of development appears to be the following:

1. The development of a formal philosophy may not take place, depending on whether or not the Chief Executive views the success of the industrial enterprise primarily as a matter of obtaining human cooperation.

2. The project is initiated by a person at, or near, the top of the organization structure.
3. The writing of a formal philosophy may not take place since it deals with abstractions. This difficulty may delay the finalization of a formal philosophy.

4. Persons who write the document are those who are at the top of the organization structure. This may be an individual or group. Those who have the best command of the desired or actual value structure should prepare the initial draft.

5. Participation in developing the content of the document is limited to a few top managers.

6. A document may be developed to bring about change in the value structure of an organization. The document is useful if the desired change is to take place in the long run. The document is not very useful for such a purpose in the short run.

7. The content of the document is relatively stable, subject to change when basic changes in the external environment take place or when the organization itself goes through basic changes.
Implementation

A formal philosophy of management is implemented to help achieve a greater unity of thought. A number of conclusions are evident;

1. In large organizations, top management may feel a need to have the fundamental precepts behind managerial actions understood and accepted. This involves an attempt to indoctrinate those persons whose understanding and acceptance is needed.

2. The most prevalent method of indoctrination is to incorporate the document in printed materials that are a normal part of the administrative tools of a top management group.

3. The selection of an audience to be exposed to the document is influenced by several variables, the most important of which are;

   a) Degree of Decentralization: The top management of companies with highly autonomous divisions seem to make the division heads the primary audience of indoctrination. If indoctrinative efforts are carried out by him, it is by his decision. It appears to be the division heads prerogative.
b) Extent of Present Indoctrination: If the content of the document is well imbued into the members of the organization, then it is safe to distribute freely the document. Managers' actions and statements are more likely to be consistent with the document.

c) Written or Unwritten Document: A written document makes possible wider audiences.

A formal philosophy of management becomes inculcated into the members of the management team, and conditions their thoughts accordingly. It has, therefore, an impact upon managerial actions depending on two important considerations:

1. Formal Training Efforts and Operational Activities. These closely intertwine in attempts to indoctrinate men for unity of action. The value structure of the top management team is kept alive and more deeply entrenched in the performance of the tasks of management.

2. Communication Determinants. These must be positive and encouraging as a requisite for the interpersonal operational transfer of the formal values of the organization.
The relationship between the document and the administration of policy can be summarized as follows:

1. The document provides the conceptual source of policy which is specific, changes more frequently and is of more limited time duration before being changed.

2. The document is implemented operationally by functional policy manuals or policy bulletins.

3. The number of recipients of the complete policy guidance is limited to a small proportion of the total number of managers. Only a relatively few managers have a need for all policies of the company and have enough knowledge to understand the policies. The remainder receive only those portions of policy which are appropriate for their needs.

4. Responsibility for distribution of complete sets of policies is assigned to one person at the central staff level.

5. Policies are kept alive by enforcement and by appraisal of their usefulness.

6. The effects of uniformity of thinking is avoided by encouraging dissent with existing policies. This is reinforced by incorporating into the periodic appraisals
the extent and quality of the individual's criticism of policies.

Evaluation

A philosophy of management is not a desirable administrative device unless it is understood, accepted, and reflected in the behavior of the management team and provides favorable operational results. Several conclusions seem evident as to whether the accomplishment of such ends can be determined.

1. There are not very many companies which directly carry on a program to evaluate the philosophy of the management team.

2. The philosophy is not evaluated because of the difficulty of tracing cause and effect.

3. Repeated violations of different policies are the most obvious indicators of the merit of the document. The evaluation of the philosophy by use of policy violations takes place over long spans of time and in an indirect fashion.
Summary

It is now possible to draw from the foregoing conclusions, a summary and selected inferences on the functioning of a formal philosophy of management. A formal philosophy does serve the purpose of a unity of thought and action. Within the business organization the loss of unity seems to occur when growth takes place, causing the addition of new management personnel and the need for greater delegation. Outside the organization, other centers of power emerge to challenge the philosophical foundations of the enterprise. In both cases a formal philosophy is a means by which management copes with the problem.

An awareness of the need for a document may lead an individual or small group of top managers to prepare the document. Whether a document is forthcoming depends on whether the persons are adept with abstractions, i.e., basic values, concepts, or permanent aims that constitute the content of the statements. It depends also on the amount of unity which already exists among them. Since it is a collaborative effort, no document will come forth if they cannot already agree on their basic value structure. This is true in spite of the usefulness which one or two
members of the group may see in the document and the
encouragement they may give to it. The process of col-
laboration may have some utility of itself. In the
process, their own value premises may be crystallized.
Thus the differences which divide them are highlighted.
This much alone may make the effort worth while, whether
or not a formal document is produced. If they can agree
only on selected factors or perceive that only selected
factors are of most critical importance then the resulting
document may be incomplete on factorial coverage. Even
with mutually recognized agreement on basic values the
document may not emerge if the group sees no utility in
the statement in the post-formulation stage. If the top
management team is uninformed or is unable to understand
how the document can be used to benefit the company, the
little significance may be attached to the effort of
formalization. In view of these obstacles, it is under-
standable why many companies do not have a formal philos-
ophy of management.

This project finds that the document is useful for
bringing about lone run changes in the internal value
structure. In the short run the document is not a useful
instrument for changing values. The document is used in a program of indoctrination, directed toward particular audiences, using certain administrative devices and techniques, can be effective in bringing about change. In a decentralized organization the audience is primarily the central staff and the heads of autonomous divisions who have the prerogative to decide whether to continue the program to lower levels. In a more centralized organization the program is directed to all levels of the structure. The program consists of formal training efforts, the preparation and dissemination of printed materials of various kinds, and it also includes the operational, collaborative relationships of normal managerial activities. A critical element in the success of the program is the existence of positive and encouraging climate of communication and managerial interaction.

There is a relationship between the document, the program of indoctrination and the policy controls of the organization. The policies are the specific operational enactment of a philosophy of management. Policies are used to directly control the behavior of the organization and
ultimately to cause it to coincide with the value structure as stated in the document.

There is a need for the two bodies of intellectual foundation. Policies are addressed to specific operational problems of a more temporal nature. They are more subject to disagreement and obsolescence and therefore to more frequent change. The document, on the other hand, is the embodiment of central values behind the specific policy application. It becomes the reference point for the continuous shift of policy to respond to changed operational conditions. The document and the body of policy have, therefore, two different functions.

The body of policy represents much of the current managerial solution to problems. The contents are therefore confidential. The number of managers who possess a copy of the complete body of policy is therefore limited. Further the subunits of an organization represent increasingly specialized activities. Many managers have no need for the complete body of policy but only those parts which pertain to their functional specialization. It is not surprising therefore that policy is much less widely disseminated than the philosophy even though the former is
an enactment of the latter. Without investigation one would not expect this revelation.

The need for unity must not be confused with uniformity and the stultifying effects this has on initiative. Operational control can exist only if policies are enforced. Enforcement alone may lead to uniformity. A policy of encouraging constructive dissent is necessary to avoid uniformity. It follows that obtaining unity, maintaining control through policy enforcement and all the while preserving initiative forces the men on the management team to possess unusually high intellectual integrity.

The relative permanence of the formal philosophy of management as indicated by the infrequency of change in content and the lack of a method of evaluating the document (the reasons for which are described earlier in this chapter) causes one to speculate whether there is not a long run danger of obsolescence. Over long spans of time, perhaps three or four decades, public values in the social, economic and political environment do change. Since there is no apparent means of changing the document, it is possible that there will be no response to the broad and basic changes in the environment. Survival, of course,
dictates some eventual response but it may take place only after substantial deterioration has taken place.

The Nature of a Philosophy of Management

Universal characteristics

Certain features characterize the twenty-eight documents. These universal characteristics pertain to the centrality of three questions. In addition the characteristics include practicality, fairness, service orientation, optimism, anti-intellectual, rational, selfishness, generality, dogmatic, hostility, benevolence and attitudes on change. By viewing the documents from this perspective, additional insights can be developed.

Central questions

Top management has answered three central questions in a formal philosophy of management. Certain important factors which they consider important are indicated. These factors may be multitudinous or only a few in number. The documents describe the fundamental concepts which underlie the factors. These may be basic methods, levels of attainment or perpetual ideals. They may be negatively or positively states, that is, they may be in favor of, or
against, something. The final question is whether the concepts are suitable for public view. This depends on whether a wider audience for the ideas will hurt the company in some way. American top managers are sensitive to criticism in an increasingly pluralistic society. Some of their concepts may not be in favor with other centers of power. Some ideas on the other hand, may provide an advantage to competitors. The central ideas are thus screened. Those which cannot hurt the company by being placed into a written philosophy are selected.³

Practicality and rationality

The documents avoid detailed and meticulous arguments that would be tempting to a drafter of a company's philosophy of management. In a way that could easily be labeled as non-intellectual, the documents jump from one premise to another premise to arrive at a conclusion. Several contain outright assertions against theoretical treatment. On the other hand they tell the reader that practical thinking in a rationalistic way is the accepted manner of behavior for the management group. The documents point to the need

for facts and scientific investigation. Curiously, there is little recognition of managerial judgment and intuition. Intelligent hunches are not recognized as a vital part of managerial actions.

Fairness and selfishness

The documents are pervaded with the word "fair." Hardly is a factor of management mentioned that the word is not used. Fair wages, fair treatment to customers, fair profits, are common. Fairness will guide actions so long as it is best for the company. Intelligent selfishness is thus frequently expressed. The business firm expects to serve the customer and to earn high profits so long as it does not hurt the firm. The apparent dilemma which such statements place the authors of the documents causes the more profuse use of the idea of fairness. The drafters seem to suspect that readers might misinterpret "in the best interests of the company" so they cover the possibility by using the word fairness throughout.4

Generality

There is criticism of expressions such as, "maximum opportunity for personal growth," "equitable dividends." The critics feel that if a management group did not stand for such ideas they certainly would not tell anybody. If they really do stand for such ideas, they are so commonly accepted that the management team which expresses itself this way, might just as well have saved its energy.

The researcher is not sympathetic with the criticism. Many management groups do not commit themselves even to as little as is expressed in the nebulous phraseology. The low number of cooperating companies in this study and in the AMA study is indicative that freely expressed management philosophies are not the rule but the exception. In reply to the critics, then, one is first led to the observation that if such values are common place then why are formal documents so uncommon?

Several interviewees offered the reply that it is not easy for an outsider to understand an organization's philosophy of management by reading a written document. For those who are members of the organization, the document has a great deal of meaning and even though it may be very
general it still, in essence, describes the values of the organization and the way people think in the organization. Only by being a member of the organization, and seeing how the philosophy is applied, can one come to really understand the meaning of the document. To an outsider such a "third dimensional" meaning is not evident. All he has to go on is the wording of the document and he naturally may conclude that the document is shallow and too general to mean anything.

In studying the content of individual documents, marked differences are evident even though the phraseology is similar. Some documents are pervaded with certain central concepts that give them a uniqueness. For example regardless of the factor under discussion a document may stress a high order of rationality, others technical competence while another might stress individual dignity throughout. The documents show uniqueness which belies the criticism.

The researcher has to admit, however, that in several cases the documents are in very general terms. They are so general and platitudinous that they would in fact mean little to an outsider. Ambiguous words and phrases such as
"freedom," "maximum incentives," "fair prices," "equitable dividends," and "responsible citizenship," in fact do not mean anything without elaboration. In the opinion of the researcher it is not necessary to use such expressions solely for the sake of brevity. The documents can be written with more specificity to obtain more precise meaning. Some of the documents are successful in being more precise without being too long or in danger of being rapidly obsolete. To say, "a rate of sales growth which is greater than the market the company serves and at least as great as that of other leading companies in the pharmaceutical industry," seems preferable to the more popular mode of expression, "it is our objective to be a growth company." The former expression is more tangible and specific. It definitely commits the company whereas the latter expression means little, if anything, to the reader of a document. A reader could only be able to attach meaning to the phrase, according to the interviewees, if he were to become intimate with the organization or to study the general administrative decisions that have been made under the statement of basic corporate policy. The document is supposedly addressed to outsiders whose
exposure to the document is to benefit the company without such personal efforts.

If the merits of more specific phraseology are evident, why, one might ask, do not more management groups write their documents in more precise terms? One answer, suggested above, is that top management considers the document for internal usage only. In such cases, and with the members of the organization being able to see the enactment operationally of the document, there is no need for more detail. This answer is acceptable so long as the audience is limited to an internal audience. But this contradicts the idea that a written philosophy of management is for outside distribution also.

An answer can be offered in terms of the special nature of top management assignments. Specific phraseology commits the management team publicly to value-performance to which they may not want to be committed. The uncertainty of decision outcomes, the lack of specific performance standards, the high risk of many top management decisions and inability to control critical variables are involved in top management's preference for generality of expression. The team may think and act along much more
specific lines than is expressed in the document. Indeed it must if control is to exist. To commit itself permanently and specifically in writing and perhaps to find it necessary to subsequently explain failures or to revise the document must be something the management team is loathe to do. Better to express a management philosophy in general terms and to avoid the embarrassment of specific non-achievement. The management team is denying its accountability for stewardship to the wider public. It does this voluntarily as a rational choice because of uncertainty in top management performance.

If a management team accepts the concepts of a pluralistic society and social responsibility, then it has accountability to many parties. If it faithfully desires to discharge such accountability then its written philosophy should be written in more concrete terms which commits the management team to more tangible value performance. If the management team rejects the foregoing and still insists on writing a generally worded management philosophy, then it is largely a waste of time. The document means nothing to the outsider. The outsider is left to conclude that top management makes a sham of the concept of stewardship and
social responsibility. Better to have written nothing at all and not be subjected to the oft-heard criticism of platitudinous thinking. It is concluded that top management, because of the inability to control outcomes of its decisions, declines to commit itself to the accomplishment of basic values.\(^5\) The commitment is to themselves. They measure their own performance. Their statements are worded so nebulous that one can conclude little else.

**Service**

The documents display a remarkable preference for the idea that the company primarily serves its customers. The allegiance of the company is to the customer. The beginning point in explaining pricing policies, financial requirements, product quality and the other factors in a philosophy are the demands made upon the company be the marketplace. The concept of service tends to give the documents a tone of dignity which would not exist if the documents made service less than a pivotal point.

Classical and managerial views

A dichotomy seems to exist in every statement of management philosophy. One thread of thought represents a managerial viewpoint. It centers upon the factors of objectives, personnel, executive leadership and organization structure. On these factors the discussion reflect awareness of the criticism which has been leveled at the business corporation. However on the factors of economic and political systems, organized labor, and competition, the documents reflect an unwillingness to accept recent developments. The classical view of hostility and that government should play a small part in the economic affairs of a nation is reinforced in the documents. The reliance upon competition as the regulator of the economy is extolled. Little mention is made of the entire question of the power of large corporations and that perhaps, competition is not enough to rely upon. Nor is the pluralistic society with large labor and large government forces in opposition to the corporation given much recognition. One receives the impression that top management chooses to ignore these developments in the business environment.
Optimism and seriousness

Corporate top management is optimistic about the accomplishments of the American business system. The ability of the economic system to produce more and to have a higher standard of living for its people is repeatedly offered as tangible evidence that the American system is a good one. There is little discussion about the ills of the system and what the company feels should be done about them. Any suggestion of negative feelings is carefully avoided. In the same expression of optimism the documents reflect a dedicated seriousness to continue to discharge the responsibility of top management.

Change

It is evident from the content of the documents that the top managers see themselves as major agents of change in American society. The documents extoll the virtues of inventiveness and innovation in all spheres of corporate life. They lash out against inhibiting traditions and customs that cannot withstand the scrutiny of reason. The documents show that change is deliberately managed within the institutional framework.
Summary

Drawing from Chapters IV and V and the immediately foregoing conclusions, it is possible to summarize the findings on the nature of a formal philosophy of management and to draw appropriate inferences.

There is a concentration of the documents on certain factors of management. These are the factors which top management considers to be important and on which they desire to make a declaration for external and internal viewing.\(^6\)

On these factors the documents contain central ideas, values, ideals or objectives. The companies make known their position by setting forth their argument in favor of or against something.

It is important to note that the documents fail to cover or say little on certain subfactors that are of more than passing interest. The common assumption that business firms in a competitive economy would all strive for a leadership position does not hold true in the factorial enumeration of this study. The concept of sub-optimization versus maximization seems to have some

\(^6\)See Fig. 1, pp. 119-21.
application. There is little evidence that very many large industrial firms see themselves as servants of the material needs of mankind in global markets. Nor do very many seem to be aware of the need for universal criteria to judge the expansion of economic offerings.

There is notable de-emphasis on the subfactor of fringe benefits and recognition of employees' contributions to the organization. Few deem it necessary to recognize an obligation to keep investors informed. Taxes and charitable contributions are also little emphasized. There is little mention of personnel appraisal, conflicts of executive interests, racial discrimination, and the machine displacement of people through automation. Finally, there is little appreciation of the role of policy and organization structure in corporate government.

The inference from the absence of these subfactors is that these are the very ones which are controversial and least understood. Small wonder therefore, that they are not treated to any greater degree, if the documents contain only that which management wants to have in wider view.

The emphasis is on practicality and rationality with little or no recognition of the role of judgment and
intuition. Those with only limited experience with management know that the latter are indispensable ingredients. If such an awareness if fairly widespread, then why do the documents not provide such recognition? The question is resolved in the natural desire of practitioners not to want to admit openly, that decision outcomes are in part due to chance. To do so, would be to deny, to some extent, the vital role which management plays. Better to assume that management is responsible for all results since this offers the greatest hope of reducing chance results to a minimum. Since this frame of mind is necessary for successful management, it is reflected in the documents. In this sense then, the documents reflect not what is, but what management desires to think.

The documents also reflect the apparent awareness of managers that they are thrusting themselves into conceptual areas in which the intent or fairness of their actions have been questioned in the past. In their dilemma of the "ethical ought and the technical must" they try to tell people that they want to be fair knowing full well that few, if any, decisions are fair to all. By words they try to overcome that which they have no escape from.
The often heard criticism of the documents that they are worded so generally and are so platitudinous that they mean very little is refuted in this study. Such a conclusion is possible if one reads only one document. If a comparison is made, however, the documents, even the most generally worded ones, do show uniqueness which belies the criticism.

There is no doubt that the respondents' top corporate management possess a ready grasp of the requirements for effective economic performance. The stress placed on customer service, objectives, personnel, executive leadership, and organization structure cause this conclusion. However, on external factors, such as the economic and political system, organized labor, and competition, one is impressed that the documents do not recognize what is happening in the world around the corporation. With this marked difference, one must conclude that top management thought on these factors is largely obsolete. In their unwillingness to come to grips with the "facts of life" they are less able to deal with developments which could be potentially adverse to economic performance.
The continued unwillingness of top management to engage in rebuttal on controversial topics, means if their voice is not expressed in other ways, that society is missing a benefit which it might receive if such men were more active on the verbal level.

Recommendations

It is now possible to offer selected recommendations which may serve to improve the performance of an industrial organization.

1. A formal philosophy of management is recommended for those concerns which are experiencing rapid growth, the addition of new management personnel, and the need for greater delegation. A formal document can serve to help the adjustment of the organization to changing requirements. While it is recognized that an unwritten philosophy can be of some benefit internally, a written document can be of even greater benefit. Further it is impossible to carry on an external program when the document is lacking. A written statement is therefore recommended.

2. The development effort should be shared directly by the major members of top management. Once these persons
reach agreement and full understanding, then their support for subsequent indoctrinative efforts may be greater.

3. It is recommended that top managers not expect to obtain any quick change in the behavior of subordinates as a result of having formalized the company's philosophy of management.

4. It is recommended that a program of indoctrination be adopted to imbue the organization with the company's philosophy. Otherwise there will be no assurance that the document will become a reality in the life of the organization.

5. It is recommended that the audience for the program be both internal and external. Maximum usage will be obtained by exposure to both audiences.

6. It is recommended that the external audience be avoided until the program has had some success internally, i.e., that the behavior of the management may reflect the content of the document.

7. It is recommended that the indoctrination program be tailored to the pattern of decentralization. If the company is highly decentralized, it may be difficult to do
anything below the autonomous division head because of his position of independence.

8. It is recommended that top management recognize that the acceptance of a formal philosophy of management is brought about by more than a deliberate program. Other important determinants are the ease of communications within the total management team and the extent to which managers themselves embody the philosophy in their normal operational interaction patterns.

9. It is recommended that policy be reviewed for consistency with the statement and that such reviews be a part of the on going efforts of management.

10. It is recommended that periodic reviews of policy take place for the purpose of obtaining compliance or finding impracticalities. In this manner the philosophy of the company is kept alive by operational workability.

11. It is recommended that the company adopt a policy that every manager has the responsibility to disagree with existing policy if in his best judgment the policy is not feasible. Otherwise compliance is required. Recognition should be given to those who are most active in this
regard; to both criticism and compliance with current policy. Conformity will thus be avoided.

12. Recognizing the difficulty of appraising the value of a formal philosophy, it is recommended that the organization schedule infrequent reviews of the company philosophy to prevent it from becoming obsolete. In the long run even a philosophy of management can be inappropriate for the company's needs.

13. It is recommended as a minimum that the statements cover the ten factors that were enumerated in this study in order to have a reasonably complete statement.

Research Opportunities

In the course of this project, additional opportunities for inquiry in the general area of formal philosophies of management became apparent. Such studies are suggested together with considerations that would be of help to anybody considering research in the subject.

Classification of managerial philosophies

Harbison and Myers distinguish four major types of managerial philosophy with respect to governance of the workplace: (1) dictatorial; (2) paternalistic;
(3) constitutional; and (4) democratic and participative. The "constitutional" type of management, in their usage, is one which the policy making powers of employers is shared with other agencies. Public government likewise has a role which challenges management's traditional rights. Collective bargaining, government inspection of premises for adequacy of such things as safety, accounting procedures and labor contract violations has led to a kind of constitutional framework within which management must exercise its functions. The democratic or participative type of management offers to employees broader areas to exercise their opinions on matters affecting them. This pattern of authority relationships differs from autocratic and dictatorial. The former seem to have become more popular. The recognition that the American economy has many centers of power rather than just the power of the business manager has caused American managers to participate in the advancement of economic progress and in the enhancement of the dignity and worth of the individual as a citizen in a political and industrial democracy.

The possibilities for research may thus seem evident. Taking the definitions of the basic philosophical orientations, the research question is, to what extent do the stated philosophies of management practitioners reflect these types? By being able to demonstrate the extent to which the stated documents reflect these orientations, it will be possible to show the changing values of corporate managers.

Differences in philosophies by kinds of business

The problem of adequate power for the corporate manager as distinguished from the traditional problem of curbing the power of the corporate manager, is difficult to discuss unless some distinctions are made. The power that is needed to manage a business enterprise depends upon the corporate purposes and the economic function of the organization. The adequacy of power necessitates an analysis of corporate purposes and economic function by kinds of business. To what extent do the philosophies or value structure shed light on the need for power to manage a particular kind of business?
Corporate policy and stated philosophy

It is asserted in this research project and found to be true, that policy is the operational enactment of the management philosophy. A useful project that would contribute to an additional understanding of the management of large organizations would explore how the structure of corporate policy reflects the function of the organization. The function of the organization is defined in the philosophy. If a philosophy asserts that it is the function of the organization to serve customers then the entire body of policy should be reflective of how the organization is geared to such an end. To what extent are policy constraints derived from the customer? Does the customer represent the dictates for service? What do policy and procedural enactments demonstrate?

Uncodified areas of policy

The practitioners who cooperated in this study indicate that policy implements the philosophy. There have been no indications of the relative differences in degrees of implementation by major factors. Are policies as well developed in research and development as in personnel
relations? The reluctance of top managers to commit themselves in certain areas of policy needs exploring. Why are some policy areas unexpressed? Why are others highly developed? An exploration of which areas are developed and why, would be most helpful to our additional knowledge of management practice.

**Multinational implications for a philosophy of management**

A philosophy attempts to orient the concern to the community in which it finds itself. In this research project it has been found that the companies look upon their community relationships as largely those of a local, state or national level. However, it is well known that the real community for many corporations is of a world-wide character. The impact of the larger environment is something that relatively little is known about. Are implementing policies for overseas divisions different from domestic divisions? Is the stated philosophy applied with equal force multinationally? Does the philosophy differ depending upon the culture in which the companies operate,

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8Eells, p. 220.
and if so, what effect does this have upon the management of the total enterprise?

The philosophy of middle and top management

Drucker suggests that the work force of the corporation will diminish for the unskilled, blue-collar classes and will grow in the ranks of middle-management, and highly skilled specialists. He points out that the latter will be the critical group to deal with in the future. Their acceptance or rejection of the managerial point of view will affect the future welfare of the business corporation. This suggests that fruitful research could ascertain the extent to which middle management possesses the attitudes and viewpoints espoused by the stated philosophies. Top management may carry on indoctrination programs but there is a need to determine how effective the programs have been. Can methods be developed to measure the extent to which middle and top management philosophies coincide? If this capacity can be developed, then it may be possible to more effectively cause middle and top management philosophies to come together.

Influence of the stated philosophy

If a philosophy of management represents the central values of a management team, what portion of the total value structure does the formal philosophy represent? Is it the decisive factor in making decisions? Are top managers more influenced by current circumstances and facts rather than the maxims of the philosophy? Is a stated philosophy only those common values among top managers with the determinative part outside the document? In the decisions of a top management group, can exceptions be found to the formal philosophy of management? What is the extent and frequency of such exceptions? To what degree do operational decisions reflect the philosophy? How many policies are outside of the parameters of the document? The influence of the document in the affairs of the management group is an area that can be effectively explored.

Conclusion

The role which formal philosophies of management may have upon the future of the American economy is suggested by Berle's theory of the transcendental margin as an economic coefficient. Berle has been impressed by the fact
that economic systems otherwise comparable, progress at
different speeds. He attributes the difference to the
effective value system governing the desires and aims (and
with it the action) of most of the inhabitants. He illus-
trates his observations with the well known cases of Nevada
and Utah, the recent state of Israel, the surge of Germany
under Hitler (however diabolical), and how the Napoleonic
wars engaged the people of France in a sudden multiplica-
tion of the interest of most individuals in their country.

In all the cases the motivations transcend the
calculable interest of the individual. They are,
therefore, "transcendental"--not in the religious
sense of the term, but in its original meaning of
overpassing any intended personal advantage of
the individual or his immediate family. Value
systems causing an economic system to accelerate
differ in all conceivable ways, but they have one
factor in common. They engage the willingness of
the individuals to labor and sacrifice for ends
aside from their private advantage, and for the
benefit, as they conceive, of a larger community
interest, local, nationwide, or world wide.10

The value system brings forth a coefficient over and
above the profit motive which greatly enhances the effec-
tiveness of an economic system. Berle points out how
earlier economic theory, basing its arguments upon personal

10 Adolf A. Berle, The American Economic Republic (New
gain and the profit motive, may have been acceptable when output was not enough to satisfy elementary human needs. However, beyond this level, the profit system begins to fail to provide the thrust to economic growth. The extra thrust comes from a reformulated value system which obtains from people, performance which could not be obtained otherwise.

The values as outlined in this report and the effective use of them in the organization suggests that American industrial management is at the forefront of thought in much of what Berle discusses. The value system has the capacity in the industrial organization to lift performance above previous levels. As this is done in the many business units of the nation, it causes the entire economy to proceed to unprecedented levels.

Berle tries to give his coefficient enough quantum to establish economic reality. He admits however, that the value system may be unmeasurable in its effect. It is nevertheless visible and represents the most striking characteristic of a country or community.

Berle's context is that of a political economy. It is plausible that his suggestion may apply to the corporate
community, which indeed ranks larger than many political economic units. What Berle suggests is that the values of a business organization may be the critical reason for its success or lack thereof. A value system may have the capacity of adding to the prosperity of a business organization by obtaining performance from its members which is beyond selfish gain.

The conclusion from Berle's thesis is inescapable. The corporate manager is the keeper of value systems. The central ideas which are formulated, inculcated and kept alive by application contributes to the progress of the corporate community and the national economy. The corporate manager is in the role of shaping the ideas by which Western man will live, and which determine his value systems.11 It is not difficult to see that across the spectrum of major values described in this project, that the modern corporation is very much in the leadership of great concepts which men throughout the world are fighting so desperately to possess.

THE NATURE AND FUNCTIONING OF A FORMAL PHILOSOPHY
OF MANAGEMENT IN AMERICAN INDUSTRY

VOLUME II

DISSERTATION

Presented in Partial Fulfillment of the Requirements for
the Degree Doctor of Philosophy in the Graduate
School of The Ohio State University

By

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* * * * * *

The Ohio State University
1964

Approved by

Ralph V. Davis
Adviser
Department of Business Organization
APPENDIX A

RESEARCH METHODOLOGY

Introduction

Objectives

This Appendix explains the research methodology which is used in the study. A rationale is provided for the general method of investigation and the specific techniques of inquiry. The criteria for the success of the methodology are set forth and are compared to actual results. The ensuing discussion centers on the foregoing, in relation to sources of information, limiting factors, collection, analysis and synthesis of the information obtained from the respondent companies.

Limiting factors

The objective of the project was to ascertain the nature and functioning of formal management philosophies in corporate practice. Mentioned in the first chapter were the external attacks that have been made upon corporate management. The effects of such assaults may have been to make management groups leery of discussing with outsiders anything so intimate as a philosophy of management. The
management philosophy is the core of the intellectual organization of the management team. There may have been strong reluctance therefore, to discuss the topic. Requests for participation in the study may have been met in a jaundiced way. The actual number of firms which participated in the Study may have been only those with an unusual desire to contribute to management research studies. The determination of the specific research methodology was influenced greatly by this limiting factor. The ways in which this influence affected the project are mentioned when appropriate in subsequent sections of this Appendix.

It was necessary to design a method of research that would enable the project to be carried out and at the same time carry a full academic teaching assignment with classes which met each day of the week. The influence that this had upon the design of the project and its execution, are discussed when appropriate under subsequent sections of this Appendix.

Secondary sources of information

On the secondary level of inquiry, library references were scrutinized to establish what was available on the subject. The Bibliography appended to this report is
indicative of the extent of the search which took place. The list of references includes books, periodicals, published and unpublished speeches, pamphlets and research monographs. The holdings of the libraries of The Ohio State University, Kent State University, State of Ohio, City of Akron, City of Columbus and the American Management Association were reviewed. The indexes which were used and the years of coverage included: Industrial Arts Index 1913 to present, Readers Guide to Periodical Literature 1900 to 1914, and Public Affairs Information Service 1915 to present.

Little of the written material dealt directly with the functioning of a written philosophy of management. There was, however, a plethora of material indirectly related to the project. Such materials included the personal views of academicians and practitioners expressing their own philosophies of management.¹ Some statements of management philosophy were found, covering only one or a few factors such as personnel. Written material dealing directly with the functioning of a philosophy of management was meager indeed.

¹See footnote number 10 in Chapter I.
The great volume of material indirectly related to the subject made it almost impossible of complete coverage. The references were studied at length. But not all available references were reviewed completely. To have done so would have caused a great deal of repetition and duplication. To avoid unnecessary effort, the search of the secondary materials was limited voluntarily. The method of limitation was to cease taking notes when the points being made in a particular piece of material were substantially a repeat of material previously read and notes made therefrom.

**Primary Source of Information**

It was found in the secondary search that the problem of the functioning of a philosophy of management had been dealt with most frequently by practitioners in the industrial grouping. The industrials, therefore, appeared to be the most rewarding source of information for an empirical study.

**Homogeneity of industrial concerns**

A further reason for selecting the industrial classification is the need to have some homogeneity of business activity. The Standard Industrial Classification 01
through 39 provided such a grouping. This grouping, as established by the Bureau of the Budget, includes the value creation activities of manufacturing, construction, mining, agriculture, forestry and fisheries. Even though this is a wide range of business activity, it provides a somewhat homogeneous base for generalizing about empirical practice. It is a safer base from which to draw conclusions than if the empirical study includes diverse activities such as industrials, banking, merchandising, and finance, all in the same group. Thus the industrial group is selected (also) on the basis of homogeneity.

An attempt was made to arrange all the members of the industrial group from which the participating companies were to be selected, by the subcategory of the industrial classification mentioned above. This proved to be fruitless because a high proportion of the members of the industrial group carried on business operations in several subcategories. Nor was it possible to classify each unit as being primarily in one category alone. This breakdown was dropped therefore as contributing little to an understanding of the universe and the sample. Nor could conclusions be drawn by discrete subcategory of the industrial
classification, knowing that each concern had been classified in several subcategories.

The industrial concerns in many cases are those companies which have diverse product lines. The value creation activities cut across many industries within the industrial classification. The most that can be said is that they are all engaged in form utility creation of some kind. The problems for top management of such concerns are truly problems of a general administrative nature. Such concerns are therefore especially appropriate for this kind of study.

Large enterprises

The selection of the sources of information was influenced by evidence which would lead one to conclude that the individual sources would have the greatest likelihood of possessing a written management philosophy. One such piece of evidence would pertain to the size of the individual units. The size of the 500 largest concerns in the industrial classification as compared with other classification of business ventures clearly established that the greatest number of large concerns were to be found in the industrial group. In the industrial category the problems of scale would thus be numerous. The chances of
finding a larger number of firms with a written management philosophy would then be greater. As will be explained in greater detail later, the ability of a company to cooperate in the study would depend on whether it possessed a written philosophy. If the chance for a larger number of firms with a written management philosophy were greater in the industrial group, then the chances of obtaining cooperation for the study also would have been greater.

The rationale for the foregoing is found in management knowledge. A concern starting off as a one-man organization has the personal leadership and close relationship of the founder to its various publics as it continues to grow in volume. As long as direct leadership can be maintained, the founder's business philosophy rubs off by virtue of the force of his personality and frequent contact. With growth and increased organizational distance of the founder from operatives, operative management and others, the force of his personality and the impact of his personal philosophy diminishes. Unity of action tends to decline. Attempts are then made to overcome the problems created by increasing size. Efforts are put forth to develop formal management methods. One part of this effort might be the development
of a written management philosophy. A document that is consciously developed and commonly accepted becomes a partial substitute for the force and effect of the founder of the firm. The precise point in time of such a development is not predictable, for many reasons, with accuracy. It is known that common values are a problem that is associated with large scale enterprise. A written philosophy serves to provide the beginning point of a common scale of values. The chances of finding companies with written management philosophies is much better therefore with large firms than with small firms.

Organizational echelon

Having selected the larger concerns in the industrial classification, the next decision is the echelon within each company from which to draw the information. The nature and functioning of a formal management philosophy is the direct responsibility of the chief operating executive. The top echelon, in other words establishes the system of values under which subordinate executives perform. The primary source of research information is therefore at the top of the organizational hierarchy. The project in the empirical
phase deals directly with the chief executives or their delegates in companies in the industrial classification.

Selection of Subjects

From the larger concerns in the industrial category, the problem was to determine how many chief executives were to be contacted for information. The objective was to make contact with industrial concerns which had the greatest likelihood of possessing a formal management philosophy.

A convenient source of the largest industrials is the list published annually by *Fortune* magazine. The *Fortune* editors publish a rank order listing of the 500 largest firms as measured by sales volume. These 500 firms have annual volume ranging from 76 million to 11 billion dollars. They totally account for 209 billion dollars in sales. They represent a substantial portion of the output of the nation's economy. These 500 firms are the group from which the respondents were taken.²

Method of respondent selection

Within the 500 industrials, there would be varying practice with regard to the use of a written management

philosophy. The objective was to select from the *Fortune* list, the firms which would have the greatest likelihood of possessing a written management philosophy. If it would have been possible to know which of the concerns were known to have excellent management, these would have been the firms to select. For a well-managed firm would have the greatest likelihood of having developed a written management philosophy. Fortunately, the American Institute of Management publishes an annual *Manual of Excellent Managements*. The A.I.M. list includes 207 industrial companies which are also members of the *Fortune* 500 list. By matching the two lists therefore, a means was provided for the construction of a list of respondents which met the needs of the study.

The companies in the A.I.M. list are subject to analysis and measurement by ten criteria which include, economic function, corporate structures, health of earnings, service to stockholders, research and development, directorate analysis, fiscal policies, production efficiency, sales vigor and executive evaluation. If they meet A.I.M. standards, they are recommended as being excellently managed. The companies selected for study by the A.I.M. may choose not to cooperate in the study since internal records of a confidential nature must be made available. If a company is not on the A.I.M. list, this does not necessarily mean it is not well managed, by A.I.M.'s definition. It may also mean that the company was never selected for study or that it was selected but declined to cooperate.
Initial number of respondents

Out of the 500 concerns the problem was to establish the number of firms that were to be requested to cooperate in the study. The number of firms which were requested would influence the final number which would agree to participate. Further, the number which would agree to participate would be influenced by the number that had written management philosophies and of that number, the number that would be willing to participate. The latter number were to be the subjects, assuming that there was perfect response from all companies agreeing to participate in the research.

The only study of a similar nature which the researcher could find was by the American Management Association. In that study, a form letter was sent to 700 companies requesting copies of their management philosophy. Replies were received from 7.4 per cent, or 100 companies, enclosing their management philosophy. Questionnaires were sent to the 100 companies. Fifty-one usable questionnaires were received.

The pertinent question is whether such results could be criterion for this study or whether they are good results. However, by avoiding this question and trying to ascertain why the results were not better may be a more fruitful approach. Several factors are worthy of mention. A form letter was used. Owing to the high frequency in which companies receive form letters the response was partially understandable. Further, the letter was sent to former participants in a seminar on management philosophy. The participants were of varying ranks within their companies. They may not have been in a position to speak authoritatively. The form letter only requested a copy of the concern's philosophy of management. There was no apparent request to obtain real participation or a definite commitment. The form letter went to companies of varying size from very small to very large.

In designing the method by which the companies were to be contacted, the AMA study was used as a reference point and an attempt was made to make some improvements. The specific techniques which were implemented to improve upon the AMA experience will be discussed in the next section of this Appendix.
The objective was a higher response than was obtained in the AMA study. The general criteria of research efficiency as well as financial limitations upon the writer dictated that better results be obtained by better planning. An initial response was desired higher than 7.4 per cent and a final response better than fifty-one out of 100. The techniques used would be the determinant of the performance. In the absence of experience guide lines and in the desire to reach some decision on the number of companies to contact, the figure was established at 250 out of the 500 companies in the Fortune list.

This number was reached by taking 207 companies that were in common between the Fortune list and the AIM list. Those companies offered the greatest assurance of a high response. Recognizing that not being listed by the AIM did not mean that the companies were not well managed (see footnote 3), the remaining forty-three companies were selected from the Fortune list, using a table of random numbers without replacement.

This method of sample determination may be criticized in that it injects bias into the study. It is admitted that the companies which were solicited for cooperation were the
ones most suspected of having a written management philosophy. This is what was being sought -- a sufficiently large number of companies which had written management philosophies so that a body of conclusions could be drawn. The project was not concerned with studying those company situations in which the management philosophy was not in writing.

**Final number of respondents**

The final number of companies which were ultimately to participate was a function of specific techniques for the development of the list of respondents as well as all the other techniques of research yet to be described. The entire research design had a combined impact upon the number of companies which ultimately participated in the research. Chart 1 displays the actual experience which was obtained, starting with the 500 which was the body from which were selected the 250 recipients of the initial letter. One hundred and four concerns did not reply to the initial letter while 146 companies did reply. Out of the 146, forty-two concerns indicated that they possessed a written management philosophy and would be willing to participate in the study.
Chart 1
Summary of Respondent Experience

Concerns from which Respondents were Selected ........................................ 500
Concerns Requested to Participate in the Study ........................................ 250
Concerns Which Replied ............................................................................ 146
Concerns Which Did Not Reply .................................................................. 104
Companies Which were Unable to Participate in the Study, for Any Reason .......... 115
Concerns Which Sent Usable Management Philosophies and Were Willing to Complete the Schedule of Information .......................................................... 31
Concerns Which Sent Usable Schedules of Information ............................... 28
It was not expected that a final number of forty-two would be enjoyed. It was anticipated that forty-two was a highly tentative number. Some of them would not reply to the questionnaire while others would no doubt exclude themselves or be excluded by the researcher because they would not have a formal philosophy as defined in the introduction to the questionnaire. Some losses were expected. Whether they would be so great as to reduce the final number to an unacceptably low figure, was a risk that had to be assumed if a follow-up was not to be sent to the 104 companies which did not reply.

In view of the fact that the initial letter was typed individually, using the official letterhead of the Bureau of Business Research and signed by the Director of the project, with a return reply card enclosed, one would have expected only the most apathetic concerns not to reply. The chances of picking up any additional companies with a formal management philosophy by a follow-up letter seemed small. The risk was assumed of not sending follow-ups to the companies which did not reply.
**Respondent follow-up**

A second letter was dispatched to the forty-two companies requesting a copy of the company's management philosophy. Enclosed was a schedule of information for the addressees to complete and return. Seven of the forty-two indicated that they misunderstood the first letter, and did not possess a written document as defined in the introduction to the schedule of information. Four more of the companies were unable to participate because of reasons three and four shown in Chart 2. The final number of companies which met the requirements for participation was then thirty-one.

Three weeks from sending the second letter, nineteen statements and completed questionnaires were received. The remaining twelve companies received a follow-up letter which yielded five more completed schedules and written management philosophies. A second follow-up letter sent to the remaining seven companies yielded five more responses. The final number of companies which participated in the study therefore came to twenty-eight with three companies failing to respond even though they indicated possession of a management philosophy initially and a willingness to complete the schedule of information. Of interest is that these three
Chart 2

Reasons for 115 Respondents Not Participating in the Study

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Respondent did not have a written management philosophy, as defined</td>
<td>110</td>
</tr>
<tr>
<td>2. Contrary to company policy to divulge the document</td>
<td>1</td>
</tr>
<tr>
<td>3. Contrary to company policy to answer questionnaires</td>
<td>2</td>
</tr>
<tr>
<td>4. Too busy to participate</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>115</td>
</tr>
</tbody>
</table>
companies were represented by the chief executive, not a delegate. Perhaps in the welter of other duties these chief executives simply could not find the time to complete the schedule of information. Regardless of the reason for non-response, which can only be surmised, it was decided that two follow-up letters were sufficient and that any attempts to obtain the participation of the remaining three should be abandoned.

Evaluation of experience

The question which had to be answered was whether this experience was acceptable. The objective was a sufficient number of companies to obtain a good cross section of practice.

In the American Management Association study referred to previously, 700 companies were solicited initially. One hundred replies were received enclosing the company's management philosophy. Schedules were sent to the latter and fifty-one were received. By comparison to this experience, 250 companies were solicited initially. One hundred forty-six replied with forty-two indicating possession of a written management philosophy, however, the forty-two became thirty-five under the rigor of the definition.
Thirty-five became twenty-eight for various other reasons. The counterpart of the AMA 700 - 100 - 51 experience in this study is 250 - 42 - 28. Chart 3 compares these two studies, showing percentages.

An important desideratum in this project was to achieve maximum results and to prevent any unnecessary investment in time, effort and expense. The low number of 250 companies reflected this requirement. The success in obtaining a sufficient number of respondents from this initial number was to be determined by the total impact of all the research techniques. In developing the list of companies to contact, the AMA possessed the names of companies and enrollees in a number of seminars on management philosophy. It would be expected therefore that the AMA list would contain a greater number of companies with written philosophies than the one which was developed for the current study. This may explain the higher initial response of the AMA study.

In comparison, then with only one other study of a similar nature, certain conclusions seem appropriate. One-third as many companies were contacted in this study. The AMA study had a slightly better initial percentage response
Chart 3

Comparison of Responses of Two Research Projects on Management Philosophy Which Used Mail Questionnaires

<table>
<thead>
<tr>
<th>Response Category</th>
<th>AMA Study</th>
<th>Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Companies Solicited</td>
<td>Percentage</td>
<td>Percentage</td>
</tr>
<tr>
<td>Initially</td>
<td>700</td>
<td>250</td>
</tr>
<tr>
<td>Companies Which</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Gave Firm Replies</td>
<td>142</td>
<td>31</td>
</tr>
<tr>
<td>Final Cooperating Companies</td>
<td>51</td>
<td>29</td>
</tr>
</tbody>
</table>

but this study had a slightly better final response. Lack ing a significant difference between these two studies, if the AMA study was considered acceptable, then this study would also have been acceptable. However, there is no evidence that the AMA study was considered an acceptable experience.

Attacking the question another way, is there some evidence that studies of administrative practices, of a subjective nature, follow a pattern of a minimum number of respondents? In the search to answer this question, no definitive conclusion could be drawn. At one extreme is the single firm study, commonly called a case study. Management literature abound with such research reports. The weakness with a single firm study is that no general conclusion can be drawn from the findings. The attempt to overcome this inadequacy causes researchers to increase the number of cases so that general conclusions are possible. A well known and widely respected study of the latter kind concerns thirty-three different companies. This study does not hesitate to draw general conclusions.\footnote{Ernest Dale, Planning and Developing the Company Organization Structure (Research Report No. 20; New York: American Management Association).}  

dealing with thirty-three companies is considered sufficient, and lacking evidence to the contrary, is it safe to assume that twenty-eight companies is a sufficient number? No answer is possible. The evidence is to be judged by the person who attempts to use the research findings.

With twenty-eight respondents it is not considered safe to draw conclusions about the 500 companies from which were drawn the initial 250 concerns. This would be a violation of research logic. We can be sure about the 110 companies which replied with a definite indication that they did not have a management philosophy (see Chart 4). This amounts to 45 per cent of the 250 concerns solicited. The real proportion of the 250 companies which did not possess a formal management philosophy was more than 45 per cent. This can be stated with authority because there were 104 firms which did not reply at all. But how many more can not be revealed from this study. The 13.2 per cent which are known to have a written philosophy plus the 45 per cent which are known not to have a philosophy leaves 41.8 per cent unaccounted for. This study is unable to say anything authoritatively about these companies.
Chart 4

Reasons Given by 110 Respondents for Not Having a Written Management Philosophy

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>No reason offered -- just a simple statement that the company does not have a written philosophy of management</td>
<td>98</td>
</tr>
<tr>
<td>Written philosophy currently under development</td>
<td>3</td>
</tr>
<tr>
<td>Recent fundamental change in the nature of the enterprise</td>
<td>1</td>
</tr>
<tr>
<td>Company too decentralized to develop such a statement</td>
<td>1</td>
</tr>
<tr>
<td>Recently merged into another company</td>
<td>2</td>
</tr>
<tr>
<td>Such a document would tend to make top policy less flexible</td>
<td>3</td>
</tr>
<tr>
<td>Such document would be nothing more than meaningless platitudes</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
</tr>
</tbody>
</table>

\*The respondent company changed from being a manufacturer to being an investment company with an "investment philosophy" rather than a "management philosophy."
The conclusions from this study which are tenable pertain only to twenty-eight companies. This research project is able to say that twenty-eight companies displayed certain administrative practices with regard to a formal management philosophy. This is not to say that of all companies which have a philosophy of management that the same administrative practices are true. There is no basis for such a conclusion. All that can be said is that twenty-eight companies say certain things about how they use the document and that the documents exhibit certain characteristics. Anyone who reads the research report and attempts to go beyond this point must do so with a knowledge of the structure of the responses from the 250 companies who were contacted initially.

Procedure for Collecting Information

The procedure for collecting the empirical information in broad outlines consisted of the following:

1. Request by personal letter (see Appendix B for a copy of the letter) the cooperation of the chief executive of 250 industrial concerns as selected from the list of the Fortune 500.

   a) To answer a later questionnaire.
   b) To provide a copy of the company's philosophy of management.
   c) To correspond.
2. Send the questionnaires to the chief executives agreeing to participate.

3. Synthesize the replies to the questionnaires.

4. Determine the need for additional information and to collect the information.

Rationale for the procedure

There were definite reasons behind the procedure which is outlined above. One of the foremost reasons had to do with the responsibility which this writer felt to the respondents. In the library research which was undertaken in designing the research methodology, the writer was impressed with the apparent abuses of questionnaire research. The practice of sending a questionnaire to a company with no attempt to seek the company's permission in advance seemed to be presumptuous and an invasion of company privacy. It approaches the questionable practice in marketing of sending promotional literature using general addresses only. It is understandable that some persons become incensed when they receive questionnaires unaddressed to a particular person. If such questionnaires are completed and returned, the veracity and completeness of the information is obviously subject to question.

Further, there is the larger question as to whether the
mail survey method can continue for long to be a usable method of research if such practices are to continue.

It was decided therefore, that this project would avoid such practice. To do this, it was necessary to extract from Poor's Directory of Corporation Officers and Directors the correct, full name of the chief executive of the companies which had been selected in the process of the sample construction. It was believed that sending a typed letter, addressed personally to the chief executive, that the initial response would be higher than if this practice was not followed. It was also believed that this was the only acceptable method if responsibility is to be recognized to those who would be using the questionnaire method in the future. Further, if there was to be any successful postquestionnaire inquiry, it would be necessary to have strong rapport with those who had completed the questionnaire. For these reasons, the initial letter was sent directly by name to the chief executive of the 250 firms, explaining the nature of the project and requesting cooperation.

Of the twenty-eight chief executives who constituted the final list of respondents, nineteen delegated the
responsibility for subsequent participation to subordinates. The functional title which the delegates possessed was interesting. Four of the delegates were vice presidents in charge of administration, or administrative planning. Four of the delegates were in charge of the organization planning function. One held the title of Director of Salary and Organization and another held the title of Director of Personnel Research and Development. Two delegates were Executive Vice Presidents and two others held the title of Secretary. Five were directors of the public, community, or corporate relations functions. The remaining nine chief executives elected to answer the questionnaire and to correspond personally. The pattern of delegation thus gives some idea of the persons most directly connected with the formal management philosophy of the company.

Method of collecting the information

In the deliberation which led to the selection of the questionnaire method, two primary considerations were paramount. The foremost consideration was the appropriate method of collecting the information in view of the
location of the respondents, the number of them, and financial limitations imposed upon the project. The second consideration was the construction of the method of information collection once it had been decided upon.

The objective of the total project necessitated the adoption of the questionnaire method. The project was to ascertain the functioning of a written management philosophy in industrial management practice. This was to be done by posing questions to chief executives on the questionnaire akin to the detailed problem statement one through five which were mentioned in Chapter I. A requirement was that answers to these questions be obtained from a number of subjects so that generalizations could be drawn. The number of subjects was naturally to be less than 250. How many this number would be, could not be ascertained ahead of time for the reason that the number of cooperating companies could not be predicted.

It was anticipated that the respondents would be widely scattered geographically. In view of the possible large size of the respondent group and geographical location, a questionnaire was decided upon as the economical means of information collection. The gap between the
researcher and the research subjects could then be effectively bridged within the expense limitations of the project.

Recognizing however, that a questionnaire was inflexible and that a greater degree of flexibility might be desired once individual company practices were encountered, it was decided that supplemental collection efforts would perhaps be necessary. By such efforts it would also be possible to study particular question areas more intensively than would be possible with a questionnaire method alone. The supplemental collection of information consisted of postquestionnaire correspondence and selected interviews. Thus in combining the methods of questionnaire interviews and correspondence, the extensiveness and depth of information could both be obtained. Neither extensiveness (in terms of the number of respondents) nor depth (in terms of detailed investigation of company practices) could be achieved with sole reliance upon one method alone.

Schedule of information

The construction of the primary method of collecting information was a problem of designing the schedule of
information. Of importance was the depth of information to be sought on the schedule. The depth of information was limited by the desirable length of the schedule. After deciding upon the kind and maximum number of questions, that could be put on the schedule, the remaining information, if any, was to be reserved for postquestionnaire inquiry. Using the problem statement, the questions were developed to be inserted on the schedule.\(^6\) The final form of the questionnaire appears in Appendix C.

**Pretest**

In order to obtain some idea of the quality of the questionnaire, it was first sent to six randomly selected cooperating companies. In order for the questionnaire to be acceptable without revision, it was decided that at least five of the six questionnaires should have been returned without follow-up. Further, each answer should have been substantially complete. No more than one question should have been left unanswered in each questionnaire. For the entire pretest there should on the

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\(^6\)The rationale for these questions is provided in Appendix E in conjunction with the survey findings. The questionnaire in its final form is contained in Appendix C.
average be less than one unanswered question per questionnaire.

The actual experience, in comparison to these standards, necessitated no revision of the questionnaire. Five of the six were returned without follow-up. The sixth was returned with one follow-up letter. All six had substantially complete answers. Only three questions in all six questionnaires were left unanswered. The pretest did not reveal any weakness in the schedule so the mailing was made to the remaining cooperating respondents.

Percentage of returns

In the detailed planning of the questionnaire, two objectives were sought. Obtaining a high percentage of questionnaire returns greatly influenced the schedule design and administration. Insuring that the optimum conditions existed for credent answers was the second objective. Aid in achieving both of these objectives was provided in previous research findings. Research indicated that there were two major variables which affect the percentage of returns obtained; the appeal used and the length of the questionnaire. In regards to the appeal used, Sletto's pioneering work in pretesting questionnaires
revealed that mail questionnaires which used an altruistic appeal yielded the highest percentage returns. Appeals which stressed other feelings were not as effective. It was decided therefore that the letters requesting participation in the project as well as the questionnaire introduction should stress an altruistic appeal.

On the length of the questionnaire, Sletto, Norton and Stanton reported that the shorter the questionnaire, the greater the percentage returns. Stanton found that a return reply post card that could be answered with a single check yielded a 50 per cent return versus a 28 per cent return for a multi-page questionnaire. Sletto found that between one to ten pages of the check type questionnaire, there was no appreciable difference in percentage returns. Over ten pages the percentage dropped so greatly, as to suggest that a questionnaire should be limited to ten pages if there was to be a significant percentage of returns.

Since the questionnaire in this project was not solely a

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check type but a combination of check and essay answers, it was decided that the highest percentage returns would be experienced with a page number much less than ten. Three pages was thus established on a partially arbitrary basis as the desirable length.

Credent answers

In designing the questionnaire so as to obtain highly credent answers, previous questionnaire research was found to be helpful. Credent answers vary in relation to the length of the questionnaire, to the use of intrinsic checks to test the questionnaire, the readability of the questionnaire, and the wording of the questions.

Length

Curtis found that the major weaknesses with a long questionnaire was that the schedules returned were likely to be poorly filled out. His research indicated that the more items on the questionnaires, the greater the chance that the informant will skip over any one item. In deciding upon the number of questions to be put into the

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questionnaire for this project, one major factor was the three page limitation mentioned above. It was found that about twenty questions would adequately meet the need for information and could be placed within the three page limit.

Criteria of credence

Of great help was the work of Lazarsfeld and Kendell who developed a system of introducing intrinsic checks into schedule design, which provided advance assurance on the credence of the information which would be obtained.¹⁰ Their work suggested that the survey research should meet the following criteria:

1. The respondents should have the competency to answer the questions.

2. The respondents should not be consciously or unconsciously evasive in their answers.

3. The subjects should be able to objectively describe their situations.

4. The wording should have definite meaning. Care was exercised in the design of the questionnaire to assure the meeting of these criteria. Obtaining the correct name of the chief executive and company address was intended to overcome the problem of incompetency of the respondent. At least this individual was felt to be more competent to answer the questionnaire than any other person in the respondent company. Even though the chief executive might have delegated the work of cooperating in the research to a subordinate, it was assumed that he selected his most informed executive on management philosophy.

Criterion two and three were handled together. The extent of evasiveness and lack of objectivity by the respondents was an important question. It was of special importance because of the subject of the research project. The philosophy of management, as was discussed earlier may not have been eagerly discussed due to emotional involvement. Lazarsfeld and Kendall suggested that a means of measuring the extent of these two factors would be the percentage of "Don't Know" answers. In the check type question, the "Don't Know" category was provided and was used to measure the extent of evasiveness.
Four questions in the questionnaire provided a "Don't Know" answer. Twenty-eight questionnaires were received for a total possible "Don't Know" answers of 112. Out of the total 112 possible "Don't Know" answers only five were checked for a 4.4 percentage. If the Kendall and Lazarsfeld measure is a reliable one, and 4.4 per cent is low, it can be concluded that objectivity and lack of respondent evasiveness were high. However Kendall and Lazarsfeld suggest no standard when they suggest the measurement. It is not possible to say for sure, then, whether 4.4 per cent is favorable. All that can be said is that it is better than, say, 5 per cent and not as good as, say, 3 per cent.

The last criterion is important because of the difficulty in defining a philosophy of management. An explanation of the meaning of the term, management philosophy, was given in the initial letter and in the introduction to the questionnaire. Two methods were used to check on whether there was a clear understanding of the term. The first method was a simple check of the number of respondents who declined participation because they did not have a management philosophy as it was defined. Of the 146 replies 104 initially indicated they would not participate because they
had nothing which approached the stated definition. Of forty-two tentative offers to cooperate seven of these companies decided not to complete the questionnaire because of the definition offered in the introduction to the questionnaire. They returned the questionnaire, explaining that their initial agreement to participate was based on a misunderstanding of the term, management philosophy. From this experience, it appeared that the word definitions served the important purpose of filtering out any misunderstanding as to the subject of the questionnaire.

A second check upon word meaning consisted of studying the written statements of management philosophy which were sent with the completed questionnaire to make sure that they were in fact statements of management philosophy. In this manner, it was possible to know whether the questionnaire information definitely referred to the kind of documents which met the requirements of the definition. Only one respondent filled out a questionnaire and sent in a document which was not a philosophy of management according to the definition. In this case the company set an out-of-date booklet concerning the position of the National Association of Manufacturers on various issues, and
referred to this as the company's management philosophy. This respondent was rejected as not having a management philosophy according to the definition. The combination of these two checks left no doubt that the final twenty-eight respondent companies did, in fact, have a management philosophy as described and that the definition served the important purpose of screening out improper research subjects.

Readability

The readability of the questionnaire might have been affected by the level of reading difficulty and the reading skill of the respondents. These two factors would have affected the respondent's interpretation of the meaning of certain words. The wording of the questionnaire was tested with the Flesch Readability Formula. The results

11Rudolf Flesch, How to Test Readability (New York: Harper and Bros., 1951), p. 44. The reading case index expresses the relationship between the average sentence length and syllable count per hundred words. The index is high and approaches 100 if the average sentence length and syllable count are both low. For example, in a given passage with average sentence length of nine words and 120 syllables per one hundred words, the index would be 96 for a fifth grade level of reading difficulty. In the questionnaire, the average sentence length was 9.6 words and the syllable count per 100 words was 171 for a reading index of fifty-three which is at the tenth level of reading difficulty.
of the test showed a tenth grade level of reading difficulty with a reading ease index of fifty-three. This meant that the questionnaire was easily read by a person who had attained the tenth grade level of secondary school understanding. The readers of the questionnaire were headquarters staff and line executives in major American industrial corporations. It was reasonable to assume that such persons were endowed with reading ability equal to, or above, the tenth grade level. The questionnaire should have provided no problems of readability or word meaning. The credence of the answers should not have been affected, therefore by this factor.

In addition to the use of the Flesch Formula an effort was made to require the wording of the questionnaire to conform to Parten's suggestions.\footnote{Mildred Parten, \textit{Surveys, Polls and Samples} (New York: Harper and Bros., 1950), p. 157.} She suggested that the following maxims be observed:

1. Use simple words.

2. Use concise words.

3. Formulate questions to yield exactly the information desired.
4. Avoid multiple-meaning questions.

5. Avoid danger words, catchwords, stereotypes, or words of emotional connotation.

6. Avoid leading questions.

7. Make cautious use of phrases which may reflect upon the prestige of the informant.

8. Avoid ambiguous questions.

9. Allow for all possible responses.

10. Avoid questions that call out responses toward socially accepted norms or values.

The problem in following Parten's suggestions was that a compromise was sometimes necessary between one of these maxims and another. For example the conflict between items one, two, and three were difficult to resolve. The schedule was thus reviewed by the researcher and by the writer's reading committee before being implemented.

Analysis of the Information

Record keeping

A system of recording the information as it was received was established prior to collecting the information. This was necessitated by the need to have the information
come in, in such a way that it could be effectively handled and treated to suit the information needs of the project. The system for recording the information greatly influenced the design of the questionnaire. Another factor was the need to have confidential treatment of all information received. The primary recording of information was done by means of a simple number code. The key to the code was available only to the writer and the director of the research project. In this manner the anonymity of the respondents was assured.

There were two main replies which were received from the respondents. There was the reply to the request for cooperation and the reply to the questionnaire. Each reply to the request for cooperation was recorded onto a master worksheet. This master worksheet had in the boxheads the same information which was contained on the reply card. On the side heads, the company identification number appeared. By a simple check mark tabulation, all the initial replies were recorded. The reply card was filed by identification number. Thus the initial reply information was kept in two ways: by worksheet summarization of all replies and by the card file, on an individual respondent basis.
The information obtained from the questionnaire was to consist of two kinds; the check type answers and the open-end essay type answers. The former was to be recorded by simple tabulation of each reply. The latter was to be studied so that a total range of answers can be ascertained and the grouping of answers under certain common word or phrase categories. After this was done, then all replies for each essay-type answer were recorded under the appropriate category. The end result for all answers (both essay and check type) was a synthesis on master worksheets. These were then summarized and are reported in Appendix E of this report.

Interviews

The summation of the survey information was carefully studied. It formed the basis for the development of a general outline for all the interviews. This outline was committed to the researcher's memory. The outline was used as the source of questions for the interviews. It was felt that a formal interview outline in the presence of the interviewee, might inhibit a free exchange of information. It might prevent the free pursuit of a promising vein of thought in the desire to stay within the formal outline.
As the interview progressed, notes were taken and finalized immediately upon cessation of the interviews. In this manner, fragmentary notes were made more complete before the fullness of the conversation slipped the researcher's memory. The notes were used to round out the gaps in information which still existed from the survey. The interview information, when used, is carefully identified as such in the chapters of this report.

In deciding upon the number of interviews to undertake, certain factors had to be given consideration. It was desirable to interview a sufficient number of respondents so that the depth and clarity of the findings could be improved substantially. Because of the geographical location of the respondents, it was not possible to interview all of the respondents since this would involve inordinate financial expense. Nor was there sufficient time available to the researcher. For these reasons only the respondents located with a reasonable driving distance of Kent, Ohio were interviewed. These interviews took the researcher to Lancaster and Pittsburgh, Pennsylvania, Middleton, Findlay, Cleveland, and Akron, Ohio, as well as Chicago and Detroit. At the conclusion of these trips, ten firms had been interviewed. It was felt that additional
interviews would not enable enough additional information to justify the expense.

**Correspondence**

For those eighteen respondents who were not interviewed, many questions needed to be answered. These questions were asked by letter. All letters were answered in less than two weeks. A total of twenty-five letters were sent and answered in reply to specific questions.

The use of interviews and postquestionnaire correspondence were found to have been of value. The survey information would have been as complete without these supplemental efforts.

**Summary**

This research project developed from the need to have more knowledge of the use of a formal management philosophy. The need to know more about this aspect of managerial practice, is evident from the dearth of available data in secondary sources.

The attempt to develop a source of information from the empirical world, led to the selection of chief executives or their representatives, of large industrial
concerns. The procedure which ultimately yielded twenty-eight companies, started with initial requests for cooperation to 250 companies. The uncovering of twenty-eight companies who have formal management philosophies was considered a sufficient number with which to carry on the investigation.

The investigation was conducted with the use of a preliminary questionnaire which gave the researcher certain fundamental information. It provided the major areas for more detailed investigation. The detailed investigation was conducted with personal letters and ten interviews. The total body of information from all three sources was combined into a statement of the functioning of a philosophy of management.
APPENDIX B

SAMPLE INITIAL LETTER TO CHIEF EXECUTIVES
AND RETURN REPLY

THE OHIO STATE UNIVERSITY
College of Commerce and Administration
1775 South College Road
Columbus 10, Ohio

Department of Business Organization
Robert B. Miner, Chairman

November 5, 1962

Dear Mr.__________:

Top management groups of many firms have developed a written management philosophy. It is expressed sometimes as a statement of basic corporate policy. There is apparent disagreement among chief executives as to the nature and use of such a statement. We are therefore engaging in a research project to bring out the various facets of the problem. The research is being carried out with firms that have a written management philosophy, in some form.

For the research project the term "management philosophy" means a written basic statement of the top management's beliefs or system of thought regarding certain basic considerations and factors in business management such as customer service, employee relations, community obligations, government and business, general methods of approach to management problems, business ethics and the like. The statement is a capstone of thinking for the various policies of the firm. The document has many labels such as creed, basic principles, objectives, beliefs, fundamental policies, philosophy of management or some other.
The first step in the project is to obtain cooperation from a wide representation of business firms. Your contribution when combined with that of other chief executives will, in the aggregate, provide a valuable addition to management knowledge in a vital area of business practice. I am asking you for your cooperation which would consist of the following:

1) Your reply to a short questionnaire which you will receive in about three weeks. The purpose of the questionnaire is to obtain information on how a written management philosophy is used.

2) An interview or correspondence so that we can obtain supplemental information to the questionnaire if such information is necessary. The interview would last no longer than forty-five minutes.

3) Provision of a copy of your written management philosophy. The purpose of this is to develop general conclusions as to what factors are usually covered in these documents. This would indicate what top management considers to be the important basic factors in successful business management.

Information obtained from your company would be kept in the strictest confidence. The name of your company or your name would not be used unless specific permission were granted to do so. A summary report will be provided to the firms which desire a copy.

The research will be carried out in the Fall by Professor Melvyn L. Woodward of Kent State University, one of our doctoral candidates as part of his graduate program.

In your reply would you indicate on the enclosed card if your company has a written management philosophy and, if so, whether we can count on your participation.

Your cooperation will be greatly appreciated.

Sincerely,

Ralph C. Davis
Professor of Business Organization
Reply to Request for Participation in Research Project

1) Does your company have a document as described in the letter?
   Yes____ No____ (If No, the remaining questions do not apply)

2) If Yes to question 1, can we count on you for your participation?
   Yes____ No____

3) If No to question 2, would you indicate your reason below?

(The above was on a 3 x 5 card with a self addressed envelops for respondent's reply)
APPENDIX C

SURVEY FORM, ACCOMPANYING LETTER
AND FOLLOW-UP LETTER

KENT STATE UNIVERSITY
Kent, Ohio

December 4, 1962

(inside address in full)

Dear Mr.________:

We would like to thank you for your favorable reply, indicating your willingness to participate in the research project dealing with management philosophy. It is through the cooperation of management practitioners such as yourself that we are able to carry out such research projects. We hope thereby to add to present knowledge some principles of general administrative management.

Enclosed is the questionnaire which you have indicated that you will answer. We have carefully prepared the individual questions to facilitate your answers. We have limited the questionnaire to three pages to enable you to complete it in a short period of time.

When we receive your questionnaire and it is analyzed, we may need to ask you a few more questions. If so, we will be writing to you for this additional information.

When you have completed the answers, and before mailing, will you be sure to enclose a copy of your company's written management philosophy?

If you would like a summarized copy of the final report, please indicate this in your reply.

Your cooperation is greatly appreciated.

Sincerely,
Mervyn L. Woodward
Professor of Business Administration
Introduction

As you have indicated, your company has a written statement of management philosophy, although the name which you use may be different. A written management philosophy expresses top management's point of view on certain factors such as customer service, employee relations, community relationships, governmental relationships, general methods of approach to management problems and alike. The document is a capstone of thinking to the firm's policy structure. It is a basic statement expressed in terms of principles, beliefs or fundamental policies which sum up the position of top management. The following questions are designed to shed light on individual company practices. All questionnaires will be held confidential and will be revealed to the analyst and research director only. When they are summarized we will have an addition to management knowledge in a vital area of business practice.

Directions

Please be as complete as you can in your answers. In all the questions, the word "document" refers to your company's written management philosophy.
1) What is the primary purpose of your document?

2) Are there any other purposes for the document?

3) Do you use the document in any of the following ways? (Check whichever is appropriate)

<table>
<thead>
<tr>
<th>a) Used for training:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Of all personnel</td>
</tr>
<tr>
<td>2. Of plant operative personnel</td>
</tr>
<tr>
<td>3. Of line management personnel</td>
</tr>
<tr>
<td>4. Of staff management personnel</td>
</tr>
<tr>
<td>5. Of salesmen</td>
</tr>
<tr>
<td>6. Other personnel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b) Used for publication in:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organization manual</td>
</tr>
<tr>
<td>2. Policy manual</td>
</tr>
<tr>
<td>3. Purchasing manual</td>
</tr>
<tr>
<td>4. Sales manual</td>
</tr>
<tr>
<td>5. Finance manual</td>
</tr>
<tr>
<td>6. House organ</td>
</tr>
<tr>
<td>7. Annual reports</td>
</tr>
<tr>
<td>8. Sales promotion literature</td>
</tr>
<tr>
<td>9. Advertising media</td>
</tr>
<tr>
<td>10. Employee handbook</td>
</tr>
<tr>
<td>11. Other media</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>c) Used as a basis for</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basis of decision making for broad corporate management problems.</td>
</tr>
<tr>
<td>2. To resolve conflicts in policy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>d) Other uses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Morale development</td>
</tr>
<tr>
<td>2. Education for decentralization</td>
</tr>
</tbody>
</table>

4) Are there any other uses for your document? (Not mentioned above)
5) What relationship is there between the document and policy in your company? ________________________________

______________________________

______________________________

6) Do you cite policy statements in written plans and/or directives of the company?
   ___Always___ Occasionally___ Seldom___ Never___ Do Not Know

7) Is the document used directly for guidance in making decisions on which present policy does not exist or does not apply?
   ___Always___ Occasionally___ Seldom___ Never___ Do Not Know

8) If the document is used for making decisions on which present policy does not help, what methods do you use?
   ____________________________________________________________________

   ____________________________________________________________________

9) Are the document and policy ever used together?
   ___Always___ Occasionally___ Seldom___ Never___ Do Not Know

10) If the document and the policy are used together, what methods do you use?
    ____________________________________________________________________

    ____________________________________________________________________
Is the document implemented by policy?
____Always____Occasionally____Seldom____Never____Do Not Know

Does your company have a definite method for evaluating the effectiveness of your document?  ____Yes  ____No

If you answered yes to question twelve, would you please provide a brief explanation of the methods used for evaluation?


If you answered no to question twelve, would you provide a brief explanation why you do not have a method of evaluation?


What do you feel are the values which your company has obtained from the use of your document?


Have you ever made any changes in the content of your document?  ____Yes  ____No

If yes to the above, could you explain what the changes were?

Change #1 _____________________________________________________
18) If you answered yes to question 17 why were the respective changes made?

Change #1

Change #2

Change #3

19) In what year was the document officially adopted in your company? _________

20) In what year was the company founded? _________

21) May reference by company name be made to your reply?

______ Yes ______ No

22) May reference by your name be made to your reply?

______ Yes ______ No
Dear Mr.______:

You recently received from me a letter requesting your participation in a research project on management philosophy. Your reply indicated your willingness to complete a questionnaire which was then sent to you. The response to the questionnaire from executives throughout the country has been gratifying, however we have not yet received yours, probably due to the press of other obligations. Your participation is needed so that we can have an adequate representation of personal insights and company experiences.

I know that you will appreciate this courteous reminder since it has been about a month since you received the first copy of the questionnaire.

Your efforts will contribute greatly to the further clarification of top management practices and principles regarding the development and usage of a formal management philosophy.

When you have completed the questionnaire, be sure to enclose your company's written management philosophy before mailing. This is a vital portion of the research project.

We would be pleased to send you a summarized copy of the research report if you will indicate in your reply.

Wishing you a Happy New Year,

Sincerely,

Melvyn L. Woodward
Professor of Management
APPENDIX D

THE PLAN FOR INTERVIEWS

**Introduction**

It was considered wise that the survey findings be augmented with selected interviews. With interviews the degree of credence of the survey information could be more reliably established and in addition, certain information could be obtained which was not provided in the survey answers. In preparation for the interviews two primary tasks had to be accomplished. It was necessary to decide upon the persons to be interviewed and to prepare a rationale which would provide the question areas for the interviews.

**Selection of Respondents to be Interviewed**

The limitation of resources and the establishment of an adequate number of interviewees were the two considerations which influenced the selection of respondents to be interviewed. With twenty-eight respondents, it was decided that one-third being the subjects of interviews would provide the achievement of the objectives set forth above. A check of the number of respondents who were located within
a reasonable distance from Kent, Ohio, the location of the researcher, indicated that a total of eleven respondents were to be found in the cities of Akron, Cleveland, Chicago, Detroit, Lancaster, Pennsylvania, Middleton, Ohio and Pittsburgh. With eleven respondents located in these cities, and if a successful interview could be held with at least ten of them then the one-third requirement was satisfied and travel to these cities could be accomplished within the resource limitation of the researcher. As it turned out, ten interviews were successfully conducted. One respondent terminated his employment and was not available for an interview. The final list of interviewees and the companies they represented is shown below.

Mr. Roland Crawford  
Public Relations Director  
Amco Steel Company  
Middleton, Ohio

Mr. Howard C. Miller  
Manager, Organization Planning  
Marathon Oil Company

Mr. Jefferson W. Keener  
President  
B. F. Goodrich Company  
Akron, Ohio

Mr. F. R. (Mike) Saas  
Assistant to the President  
The Standard Oil Company (Ohio)  
Cleveland, Ohio
Mr. R. J. Howe  
Director, Organization  
Thompson Ramo Woolridge Company  
Cleveland, Ohio  

Mr. W. L. Witney  
Director, Organization Planning  
J & L Steel Company  
Pittsburgh, Pa.  

Mr. Clifford J. Backstrand  
President  
Armstrong Cork Company  
Lancaster, Pa.  

Mr. L. B. Hunter  
Vice-President  
Inland Steel Company  
Chicago, Ill.  

Mr. Paul Gerden  
Vice-President  
Abbott Laboratories  
Chicago, Ill.  

Mr. Maurice Wyss  
Asst. to President  
General Motors Corporation  
Detroit 2, Mich.

Questions for the Interviews  
The major questions that were covered in the interviews were developed from the respondent's survey form and from more general notes taken in the course of synthesizing the research findings. The general plan for the interview was discussed with the candidate's dissertation adviser prior to embarking on this phase of the project.
The findings from the interviews were reported directly in the main body of the report and in Appendix E to clarify the survey findings.
APPENDIX E

SURVEY FINDINGS

Introduction

The necessity of obtaining information by the use of open-end essay answers can be explained by the nature of the subject. The terminology used by the respondents is not standardized. Furthermore a clear conceptual framework is not altogether clear. In order to be sure that the candid thinking of chief executives be captured, it is necessary to use open-answer questions. This presents the problem of organizing the answers in some synthetical fashion so the findings can be reported more concisely than is available in the raw answers. The necessity to do this, may cause some liberties to be taken with the words and phrases as they appear in the raw answers. In all cases the writer tries to be faithful to the meaning as contained in the answer. The purpose of this Appendix is to demonstrate the method that is used to do this.

This appendix presents the information as it is reported on the survey form. A synthesis of the findings is presented for each question before moving on to the next question.
The sequence of questions does not follow the same pattern as the questions appeared in the schedule of information (see Appendix B). Rather, the survey findings are presented by major subject headings in the same manner as the chapters which deal with the survey findings. The major subject headings and the pages they are found on are as follows:

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>II. The Purpose and Development of a Philosophy of Management . . . . . . . . 32</td>
</tr>
<tr>
<td>III. Implementation and Evaluation of a Philosophy of Management . . . . . . . . 64</td>
</tr>
<tr>
<td>IV. Factoral Content of a Philosophy of Management . . . . . . . . . . . . . . . . . . . . . . . 103</td>
</tr>
</tbody>
</table>

For each subject heading, there were questions on the survey form. After the answers to each question are shown, the answers are synthesized in the charts. The respondent numbers are given in each chart to enable the reader to refer to the preceding raw answer. In this manner the method of distillation can be traced.
**Part I. Purpose of a Philosophy of Management**  
(Questions 1, 2, and 15)

Question One: "What is the primary purpose of your document?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question One</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>It defines the objectives of the company, the basic concepts of management and functions which are common to all managerial positions.</td>
</tr>
<tr>
<td>24</td>
<td>To provide a basic guide line for our management and employees throughout a widespread and diversified company.</td>
</tr>
<tr>
<td>25</td>
<td>To chart a course for all to follow in the conduct of company business.</td>
</tr>
<tr>
<td>27</td>
<td>To reduce to writing, in concise form, the principles of business philosophy which guide the management and the objective which the company is seeking.</td>
</tr>
<tr>
<td>36</td>
<td>The management guide is designed to explain the company's concepts of management and organization.</td>
</tr>
<tr>
<td>43</td>
<td>To inform all employees (production, sales, office) of our policy.</td>
</tr>
<tr>
<td>46</td>
<td>To serve as a constraint reminder - to all levels of management of the basic business and moral principles that are to guidethem in the management of company affairs.</td>
</tr>
<tr>
<td>61</td>
<td>To set down some broad, long-range objectives of the _____ organization, and to outline for the guidance of management at all levels some general policies which we may follow in seeking to obtain the objectives.</td>
</tr>
</tbody>
</table>
Establish basic company planning objectives.

_____'s Statement of Policy serves primarily as a guide to management and supervisory personnel. It provides a description of the company's philosophy and broad objectives.

To point out where we are going and how we propose to get there.

To create that broad common understanding of basic policies that is necessary for effective management and employee team work towards the accomplishment of company objectives.

To serve as guide to the organization.

Statement of goals toward which we are striving; expression of attitudes and policies by which we try to live.

To make available, for the information and guidance of ______ personnel in the conduct of the business, fundamental corporate principles or beliefs which are essential to the company's survival and success and which must always come before policies, practices, and goals.

_____'s creed of management is a guide to the company's actions whether they be local or national in scope and whether they have to do with the public, stockholders or customers.

To encourage consistency of action and to expedite administration, thus freeing top management for concentration on the new problems of the day and plans for the future.
To guide the decisions of management personnel.

The management objectives, a copy of which I have attached, are used in _____ to spell out in broad detail the end objectives of the company's business.

To set forth for the public and employees our business principles.

The company believes that it can operate successfully only if it has public understanding and approval, because these are necessary to maintain the confidence of shareholders, loyalty of employees, acceptability of products and freedom from unduly restrictive regulation.

To change attitudes and methods of supervision of management personnel at all levels.

To inform all employees of the principles which guide the management of the company in their many day-to-day decisions.

The primary purpose of our written management philosophy is to provide ____ executives and the top managements of its affiliates with broad management guide lines.

Our corporate objective was written to set forth the basic purpose of the existence of our organization and the guiding philosophy, or creed, under which we will operate towards the achievement of that purpose.

See section entitled "Why Publish a Creed" in the attached booklet. (Shown in respondent's answer to question 15).
To clearly establish in writing the broad
guides within which the company expects
its management personnel to operate.

To inform those who must manage the enter­prise of the purpose and philosophy of the
business enterprises entrusted to their
care.

Synthesis of replies to
question one

After a careful perusal of the above answers, it
became evident that they consisted of two central ideas;
unity of thought and unity of action. The method by which
these two central ideas were synthesized from the answers
was to group specific words and phrases under the common
heading of unity of thought and unity of action.
## Chart 5

A Synthesis of the Answers to Question One

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question One</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Unity of Action</strong></td>
</tr>
<tr>
<td>24, 27, 219</td>
<td>&quot;Guidelines or broad guides&quot;</td>
</tr>
<tr>
<td>25</td>
<td>&quot;For all to follow&quot;</td>
</tr>
<tr>
<td>61, 209</td>
<td>&quot;Which we may follow&quot;</td>
</tr>
<tr>
<td>95, 106, 206</td>
<td>&quot;As a guide&quot;</td>
</tr>
<tr>
<td>97</td>
<td>&quot;How we propose to get there&quot;</td>
</tr>
<tr>
<td>118</td>
<td>&quot;We try to live by&quot;</td>
</tr>
<tr>
<td>120, 140, 206, 212</td>
<td>&quot;Goals toward which we are striving&quot;</td>
</tr>
<tr>
<td>128</td>
<td>&quot;To guide&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Consistency of action&quot;</td>
</tr>
<tr>
<td></td>
<td><strong>Unity of Thought</strong></td>
</tr>
<tr>
<td>1</td>
<td>&quot;To define basic objectives and concepts&quot;</td>
</tr>
<tr>
<td>36, 43, 120, 206, 246</td>
<td>&quot;To explain or to inform&quot;</td>
</tr>
<tr>
<td>46</td>
<td>&quot;To remind&quot;</td>
</tr>
<tr>
<td>61</td>
<td>&quot;To set down&quot;</td>
</tr>
<tr>
<td>99</td>
<td>&quot;Create broad understanding&quot;</td>
</tr>
<tr>
<td>120</td>
<td>&quot;To make available&quot;</td>
</tr>
<tr>
<td>152, 209</td>
<td>&quot;To set forth&quot;</td>
</tr>
<tr>
<td>166</td>
<td>&quot;To have public understanding&quot;</td>
</tr>
<tr>
<td>167</td>
<td>&quot;To change attitudes&quot;</td>
</tr>
<tr>
<td>Respondent Number</td>
<td>Raw Answers to Question Two</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1</td>
<td>The material is used for training of new supervisory personnel and has constant use for reference purposes.</td>
</tr>
<tr>
<td>24</td>
<td>It includes our corporate objectives and major policies. The putting of these in writing helped our top management think out the kind of company it wanted to be and how it intends to get there.</td>
</tr>
<tr>
<td>25</td>
<td>To make known to employees, stockholders, customers, and interested &quot;publics&quot; just what they might logically expect of ____ in terms of philosophy, attitude and action.</td>
</tr>
<tr>
<td>27</td>
<td>To make these ideals and aims known to the company's personnel, and to it stockholders, customers, suppliers, and the public.</td>
</tr>
<tr>
<td>36</td>
<td>At issue time, it was used as one of several ways to assist managers in understanding the company's change from a relatively centralized to a relatively decentralized form of organization.</td>
</tr>
<tr>
<td>43</td>
<td>There are some public relations values because the statement receives publicity from time to time.</td>
</tr>
<tr>
<td>46</td>
<td>Yes - a secondary purpose is to let our customers, suppliers, stockholders, and the general public, know about ____'s basic philosophies.</td>
</tr>
<tr>
<td>61</td>
<td>No</td>
</tr>
</tbody>
</table>
(a) provides a basis from which the operating divisions establish divisional planning objectives. (b) referred to in executive position guides. (c) used in connection with management development activity.

The Statement of Policy also gives all employees a general guide to their conduct as members of the company and reassures them concerning _____'s philosophy and principles. It informs the general public of the company's operating philosophy.

To demonstrate our determination to operate in the interest of everyone who has a stake in the company's success.

It serves as a reference work to aid in decision making at all levels of management.

To help insure uniformity of thinking in departments and divisions.

Used by executives and other company representatives to define _____'s aims and obligations to outside groups.

To sell employees on management's intentions.

The primary purposes are to fully acquaint the entire employee staff with the company's objectives. As you will notice we keep in broad terms such things as personal development, research, marketing, etc.

To state some broad company objectives.
Understanding and good will must be earned through the application of sound and ethical principles in the conduct of every phase of its business.

Provide general guidance to management on the methodology of setting business objectives.

To remind management of the principles which they should regularly consider in their actions. To demonstrate to employees that the company is guided by stated principles rather than expediency and thereby instill confidence in the organization and its management.

It also establishes a framework for the evaluation of policy statements and for management decisions.

There is no other purpose for the document, unless there is an implied question as to why it was put into writing. In that case, the preparation of the document provided a consensus of management thinking. It is a written statement with which all other statements of policy must be consistent.

Innumerable. For instruction of promoted and new personnel, recruiting, to achieve reasonable and practical cohesion among autonomous units, and other similar ways represented by the checks below.

To serve as a reference point for more detailed company policy statements which implement the basic policy
Synthesis of replies to question two

A thorough perusal of the replies of the twenty-three respondents who answered question two, indicated certain different ideas that had not been mentioned in answers to question one and which were not anticipatory to question three.

Chart 6 shows that other purposes of philosophy of management relate to indoctrination, initial crystallization of a philosophy and for decision making. It is evident that the answers are additional elaborations of question one. "To provide a basis for indoctrination" is merely saying that the formal document assists in the process which leads to unity of thought. "Crystallization of a philosophy of management" is saying that as a first step, it is necessary to codify the values of the top management team i.e., to bring the values from the implicit to the explicit level. It is thus an intermediate stage in the process toward unity of thought. "As a reference point for decision making" merely describes one of the steps in the planning process; the final step, that of making a choice on courses of action. This is all so much a part of unity of thought leading to acts of delegation, that it too, can be considered supportive
Chart 6

A Synthesis of the Answers to Question Two

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td>To provide a basis for indoctrination</td>
</tr>
<tr>
<td>25)</td>
<td></td>
</tr>
<tr>
<td>27)</td>
<td></td>
</tr>
<tr>
<td>36)</td>
<td></td>
</tr>
<tr>
<td>43)</td>
<td></td>
</tr>
<tr>
<td>46)</td>
<td></td>
</tr>
<tr>
<td>95)</td>
<td></td>
</tr>
<tr>
<td>97)</td>
<td></td>
</tr>
<tr>
<td>106)</td>
<td></td>
</tr>
<tr>
<td>140)</td>
<td></td>
</tr>
<tr>
<td>149)</td>
<td></td>
</tr>
<tr>
<td>166)</td>
<td></td>
</tr>
<tr>
<td>206)</td>
<td></td>
</tr>
<tr>
<td>219)</td>
<td></td>
</tr>
<tr>
<td>24)</td>
<td>Crystallization of a philosophy of management</td>
</tr>
<tr>
<td>99)</td>
<td></td>
</tr>
<tr>
<td>126)</td>
<td></td>
</tr>
<tr>
<td>209)</td>
<td></td>
</tr>
<tr>
<td>1)</td>
<td>Reference point for decision making</td>
</tr>
<tr>
<td>72)</td>
<td></td>
</tr>
<tr>
<td>167)</td>
<td></td>
</tr>
<tr>
<td>208)</td>
<td></td>
</tr>
<tr>
<td>246)</td>
<td></td>
</tr>
<tr>
<td>61)</td>
<td></td>
</tr>
<tr>
<td>118)</td>
<td></td>
</tr>
<tr>
<td>120)</td>
<td>No answer</td>
</tr>
<tr>
<td>128)</td>
<td></td>
</tr>
<tr>
<td>212)</td>
<td></td>
</tr>
</tbody>
</table>
of the central purpose of unity of thought. The answers to question two, then agree in segmented fashion with answers to question one. Indicative that the answers were exhausted, were the five respondents who gave no answer to question two.

Question Fifteen: "What do you feel are the values which your company has obtained from the use of your document?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Fifteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Helps managers and supervisors determine the action to follow in organizing their responsibilities and establishing policy which is in balance with and coordinated with the rest of the organization and its objectives.</td>
</tr>
<tr>
<td>24</td>
<td>Clarification of top management views and better communication of these views to all levels of the organization resulting in a more coordinated program of growth.</td>
</tr>
<tr>
<td>25</td>
<td>No (Although we believe our experience in the general area of employee relations and our actual competitive position are bases for judgment.)</td>
</tr>
<tr>
<td>27</td>
<td>Better understanding of management philosophy and company goals.</td>
</tr>
<tr>
<td>36</td>
<td>A written expression usable in a variety of situations to highlight the company's basic management concept for the long term as well as a very appropriate vehicle during the adjustment to decentralization.</td>
</tr>
</tbody>
</table>
Leaves no doubt on any employee's mind as to how we expect to operate.

I believe that the document is fully understood and accepted by all management people holding important positions and they consciously try to be guided by it in their business conduct.

It is believed that the philosophy is reflected in the caliber of our management in the high morale of the organization. Hesitate to suggest that this was achieved only by the use of the philosophy.

(a) basis for short and long-term plans  
(b) support executive position guides  
(c) support the management development program.

Clearer understanding of the company's objectives and principles by all employees, improved knowledge of these stockholders and other "publics."

It clearly cites the basic objectives which we have had for years. In so doing, it directed renewed attention to those objectives.

The document is less than one year old. It should be of increasing value as time goes on and its usefulness is proved.

Helped us all head the same direction.

Has communicated Mr. _____'s attitudes to a wider audience both within the company and outside.
Continued corporate growth, good customer relations, product and technological leadership within our industry, high employee morale, stockholder satisfaction, and good community relations - resulting collectively in the company's success in achieving its objectives.

It has put the company on record as recognizing its responsibilities to customers, stockholders, employees, the public welfare and the common good.

To encourage consistency of action and to expedite administration, thus freeing top management for concentration on the new problems of the day and plans for the future.

To guide the decisions of management personnel and to sell employees on management intentions.

Agreement on objectives - a common philosophy.

Good clear cut statement of principles terms as guide for action.

Uniform understanding of the broad objectives of the company.

It is still too new to be emphatic on this score, but I believe we are getting a constructive reorientation of management practice.

Better understanding of the principles which guide our management.
All company interests are guided by the same basic philosophy. By delegating maximum responsibility and authority within ____ and by spreading responsibility among the affiliates through decentralization of management, executives are developed, continuity of management is assured, and the number of decisions required by the ____ is reduced.

Too early to evaluate. Has added clarity and some guidelines for long-range planning.

This question is answered in the attached booklet. [From Booklet: "What the Creed Means to ____ Men and Women"]:
1. It will enable them to understand why management adopts the policies it does.
2. It will enable them to anticipate the company's attitudes and courses of action in given situations.
3. It will enable them to work more harmoniously with others within the company.
4. It will enable them to evaluate proposals which may be made with respect to their work and the work of their departments.
5. It will enable them to speak up for the company with assurance, particularly when matters of controversy arise.
6. It will give them a greater sense of pride and satisfaction in the company to which they are devoting their energies and their time.

Understanding and improved communication.

Better understanding of the specific purpose of the business.
Synthesis of replies to question fifteen

The three answers (99, 167, and 209) which were of no value were disregarded, leaving twenty-four which were synthesized according to the breakdown of unity of thought, unity of action and other values.

The purpose of question fifteen is twofold. It serves as a check on the consistency of questions one and two. By comparison of Charts 5, 6, and 7 and the supporting comments, it is concluded that the answers are remarkably alike. It is also important to compare what the respondents say are the purposes of the document, with what they see as the benefits obtained from its use. In this manner the success of goal achievement may be ascertained. The hopes of the respondents come close to what is actually achieved by a comparison of answers to questions one, two and fifteen.

It is to be expected that the answers to question fifteen would not be completely like answers to questions one and two. The agreement on unity of thought and unity of action is obvious. As for the "other goals" category, it is assumed that the respondents are saying that achievement of operational goals is possible because conditions of unity have been achieved.
This assumption was checked in the interviews and found to be a safe one. It is concluded that there is sufficient consistency in the answers to rely on them.
## Chart 7

A Synthesis of the Answers to Question Fifteen

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Fifteen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unity of Thought</strong></td>
<td></td>
</tr>
<tr>
<td>212, 219, 166, 246, 1, 27, 24, 43, 46, 95, 152, 206</td>
<td>Better understanding</td>
</tr>
<tr>
<td>46, 140, 149</td>
<td>Better acceptance of top management views</td>
</tr>
<tr>
<td>24, 118, 140, 219</td>
<td>Better communication of top management views</td>
</tr>
<tr>
<td>118</td>
<td>Wide audience</td>
</tr>
<tr>
<td>24, 43</td>
<td>Clarification of top management position</td>
</tr>
<tr>
<td>126, 208</td>
<td>Commitment to a philosophy</td>
</tr>
<tr>
<td>212</td>
<td>Enables the employee to speak for the company with assurance</td>
</tr>
<tr>
<td><strong>Unity of Action</strong></td>
<td></td>
</tr>
<tr>
<td>128, 140</td>
<td>Consistency of action</td>
</tr>
<tr>
<td>128</td>
<td>Expeditious administration</td>
</tr>
<tr>
<td>24</td>
<td>Coordinated program of growth</td>
</tr>
<tr>
<td>212, 1</td>
<td>Better decision making</td>
</tr>
<tr>
<td>97, 106, 120, 149, 166, 27</td>
<td>Focus of attention upon objectives</td>
</tr>
<tr>
<td>72</td>
<td>Clear basis for management planning</td>
</tr>
<tr>
<td>Respondent Number</td>
<td>Synthetical Answers to Question Fifteen</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>212</td>
<td>Employees can anticipate management actions</td>
</tr>
<tr>
<td>61,120,212</td>
<td>Higher morale</td>
</tr>
<tr>
<td>24</td>
<td>Improved employee relations</td>
</tr>
<tr>
<td>120</td>
<td>Continued corporate growth</td>
</tr>
<tr>
<td>120</td>
<td>Good customer relations</td>
</tr>
<tr>
<td>120</td>
<td>Product and technological leadership</td>
</tr>
<tr>
<td>120</td>
<td>Satisfied stockholders</td>
</tr>
<tr>
<td>120</td>
<td>Good community relations</td>
</tr>
<tr>
<td>61</td>
<td>Higher caliber of management</td>
</tr>
<tr>
<td>208</td>
<td>Enables delegation, growth of managers and continuity of management</td>
</tr>
</tbody>
</table>
Part II. Development of a Philosophy of Management
(Questions 16, 17, 18, 19, and 20)

Question Sixteen: "Have you ever made any changes in the content of your document?"

Chart 8
Summary of Replies to Question Sixteen

<table>
<thead>
<tr>
<th>Number of Respondents</th>
<th>Answers to Question Sixteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Yes</td>
</tr>
<tr>
<td>19</td>
<td>No</td>
</tr>
</tbody>
</table>

Question Seventeen: "If yes to the above could you explain what the changes were?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Seventeen</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Several hopes expressed in 1952 were listed as achievements in 1960.</td>
</tr>
<tr>
<td>97</td>
<td>Broadened to reflect the nature of our mfg. and research activities which were not adequately covered in our original statement which had been developed when ____ was essentially a telephone company.</td>
</tr>
<tr>
<td>120</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>128</td>
<td>Additions, clarifications.</td>
</tr>
</tbody>
</table>
Rewritten more as principles than as statements of accomplishment as originally composed. Rewritten to phrase in more simple language and form.

Initial changes expanded the document from an organization manual to one embodying management principles and basic corporate philosophy. Subsequent changes in management principles and organizational structure have been made from time to time as deemed necessary.

To broaden the scope of our business activity.

There have been about six re-issues of the manual, mainly to accommodate changes in personnel and position descriptions. There is nothing specific to mention here as changes have been more of an evolutionary nature, the choice of better language and brevity.

Changes have consisted primarily of word substitution and other alterations to shift emphasis. I do not think there has been a significant change in the basic objective.
## Chart 9

Synthesis of Replies to Question Seventeen

<table>
<thead>
<tr>
<th>Respondent Number(^a)</th>
<th>Synthetical Answers to Question Seventeen</th>
</tr>
</thead>
<tbody>
<tr>
<td>209,97</td>
<td>Changed to cover the increased scope of business activity</td>
</tr>
<tr>
<td>128,219,206,246</td>
<td>Editorial changes.</td>
</tr>
<tr>
<td>61</td>
<td>Changed to show the progress on objectives achievement</td>
</tr>
<tr>
<td>206,208</td>
<td>Changed to statements of principles</td>
</tr>
</tbody>
</table>

\(^a\)There are nine respondent answers because only nine replied yes to question seventeen.
Question Eighteen: "If you answered yes to question sixteen why were the respective changes made?"

Respondent Number Raw Answers to Question Eighteen

128 To broaden coverage and understanding.

206 To more directly achieve our objectives.

208 The purpose of these changes have been to ensure the ability of the organization to respond promptly and effectively to change in the competitive, and constantly developing, business environment.

206, 61, 219, 246, 209, 97 No answer

Question Nineteen: "In what year was the document officially adopted in your company?"

Respondent Number Raw Answers to Question Nineteen

1 1961

24 1961

25 1919

27 1960

36 1960

43 No record

46 1953

61 1952

72 1962

95 1960

97 1960

99 1962

106 1953

118 1953

120 1958

126 1958
Chart 10

Synthesis of Replies to Question Nineteen

<table>
<thead>
<tr>
<th>Number of Respondents&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Synthetical Answers to Question Nineteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>In last five years</td>
</tr>
<tr>
<td>6</td>
<td>Within last five to ten years</td>
</tr>
<tr>
<td>1</td>
<td>Within last ten to fifteen years</td>
</tr>
<tr>
<td>1</td>
<td>Within last fifteen to twenty years</td>
</tr>
<tr>
<td>1</td>
<td>Prior to twenty years ago</td>
</tr>
</tbody>
</table>

<sup>a</sup> One respondent had no record of date of adoption. Another did not answer the question.
Question Twenty: "In what year was the company founded?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Twenty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1888</td>
</tr>
<tr>
<td>24</td>
<td>1902</td>
</tr>
<tr>
<td>25</td>
<td>1900</td>
</tr>
<tr>
<td>27</td>
<td>1860</td>
</tr>
<tr>
<td>36</td>
<td>1916</td>
</tr>
<tr>
<td>43</td>
<td>1869</td>
</tr>
<tr>
<td>46</td>
<td>1915</td>
</tr>
<tr>
<td>61</td>
<td>1875</td>
</tr>
<tr>
<td>72</td>
<td>1920</td>
</tr>
<tr>
<td>95</td>
<td>1928</td>
</tr>
<tr>
<td>97</td>
<td>1935</td>
</tr>
<tr>
<td>99</td>
<td>1870</td>
</tr>
<tr>
<td>106</td>
<td>1876</td>
</tr>
<tr>
<td>118</td>
<td>1893</td>
</tr>
<tr>
<td>120</td>
<td>1911</td>
</tr>
<tr>
<td>126</td>
<td>1858</td>
</tr>
<tr>
<td>128</td>
<td>1853</td>
</tr>
<tr>
<td>140</td>
<td>1954</td>
</tr>
<tr>
<td>149</td>
<td>1887</td>
</tr>
<tr>
<td>152</td>
<td>1901</td>
</tr>
<tr>
<td>166</td>
<td>1887</td>
</tr>
<tr>
<td>167</td>
<td>1954</td>
</tr>
<tr>
<td>206</td>
<td>1895</td>
</tr>
<tr>
<td>208</td>
<td>1882</td>
</tr>
<tr>
<td>209</td>
<td>1870</td>
</tr>
<tr>
<td>212</td>
<td>1886</td>
</tr>
<tr>
<td>219</td>
<td>1901</td>
</tr>
<tr>
<td>246</td>
<td>No answer</td>
</tr>
</tbody>
</table>
Chart 11

Synthesis of Replies to Question Twenty

<table>
<thead>
<tr>
<th>Number of Respondents</th>
<th>Synthetical Age of the Respondents Company at the Time of Adoption of the Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>8-38 years</td>
</tr>
<tr>
<td>10</td>
<td>39-69 years</td>
</tr>
<tr>
<td>9</td>
<td>70-100 years</td>
</tr>
<tr>
<td>1</td>
<td>101-130 years</td>
</tr>
</tbody>
</table>

\(^a\) One respondent did not answer the question.
Part III. Implementation of a Philosophy of Management
(Questions 3, 4, 5, 6, 7, 8, 9, 10, and 11)

Question Three: "Do you use the document in any of the following ways?" (Check whichever is appropriate.)

The responses to this question are shown in Chart 12. It shows the categories of use which the respondents were asked to check the number and percentage of respondents who checked each category.

The synthesis of answers to question three needs some explanation. As a basis for corporate constitutional law, one would expect that a higher proportion than 39 per cent would have checked the use of the document to resolve conflicts in policy. In the interviews the respondents indicated that they were confused by this question. A few respondents were candid and said that nobody likes to admit that conflicts do develop, especially on a survey form. This explains in part, the result. More importantly however, is the idea so clearly brought out in answer to question fourteen on evaluation. The formal management philosophy is not used as a working tool in the sense that resolving the conflict in policy category implies. The document is broad in language. Its central values pervade management's
Chart 12

The Number of Respondents Who Indicated Certain Uses for a Formal Philosophy of Management in Answer to Question Number Three

<table>
<thead>
<tr>
<th>Uses</th>
<th>Number of Respondents</th>
<th>Per Cent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used as the Basis of Corporate &quot;Constitutional Law&quot;:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision Making for Broad Corporate Management Problems</td>
<td>20</td>
<td>71.44</td>
</tr>
<tr>
<td>To Resolve Conflicts in Policy</td>
<td>11</td>
<td>39.27</td>
</tr>
<tr>
<td>Used for Training of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line Management Personnel</td>
<td>23</td>
<td>82.15</td>
</tr>
<tr>
<td>Staff Management Personnel</td>
<td>23</td>
<td>82.15</td>
</tr>
<tr>
<td>Salesmen</td>
<td>14</td>
<td>50.02</td>
</tr>
<tr>
<td>Plant Operative Personnel</td>
<td>14</td>
<td>50.02</td>
</tr>
<tr>
<td>Other Personnel</td>
<td>12</td>
<td>42.84</td>
</tr>
<tr>
<td>All Personnel</td>
<td>11</td>
<td>39.27</td>
</tr>
<tr>
<td>Used for Publication In:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Organ</td>
<td>17</td>
<td>60.73</td>
</tr>
<tr>
<td>Employee Handbook</td>
<td>15</td>
<td>53.59</td>
</tr>
<tr>
<td>Organization Manual</td>
<td>14</td>
<td>50.00</td>
</tr>
<tr>
<td>Policy Manual</td>
<td>14</td>
<td>50.00</td>
</tr>
<tr>
<td>Annual Report</td>
<td>9</td>
<td>32.13</td>
</tr>
<tr>
<td>Advertising Media</td>
<td>6</td>
<td>21.42</td>
</tr>
<tr>
<td>Purchasing Manual</td>
<td>4</td>
<td>14.28</td>
</tr>
<tr>
<td>Sales Manual</td>
<td>3</td>
<td>10.71</td>
</tr>
<tr>
<td>Finance Manual</td>
<td>3</td>
<td>10.71</td>
</tr>
<tr>
<td>Sales Promotion Literature</td>
<td>3</td>
<td>10.71</td>
</tr>
<tr>
<td>Other Media</td>
<td>11</td>
<td>39.27</td>
</tr>
<tr>
<td>Other Uses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morale Development</td>
<td>12</td>
<td>42.84</td>
</tr>
<tr>
<td>Education for Decentralization</td>
<td>8</td>
<td>28.56</td>
</tr>
</tbody>
</table>
thoughts and feelings. It cannot however, be used as a yardstick to resolve conflicts in policy. In checking this answer in the ten interviews the reaction was affirmative that the document does influence management's thinking but due to its inherent characteristics it cannot be used as a tool to directly resolve conflicts in policy. The confusion is resolved with an improvement in our thinking about the role of a management philosophy in policy administration.

The uses of the document for training and for publication caused no apparent difficulty. It was necessary to clarify the answers on morale development and education for decentralization. It was found in the interviews, that the respondents interpreted the categories to mean formal programs for morale development and education for decentralization. All of the interviewees offered the explanation that few companies have formal programs that can be labeled as such. Rather, they have specific practices that hopefully contribute to morale development and education for decentralization. The explanation for the low response, then is, again, a confusion on the question. If looked at in terms of specific practices, the interviewees all indicated that they would have checked the category rather than leaving it blank.
Question Four: "Are there any other uses for your document?" (not mentioned above)

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Four</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No.</td>
</tr>
<tr>
<td>24</td>
<td>Published in pamphlet form and is available for customers, suppliers, friends, and employees. A supply is kept in reception room and is given out to interested parties.</td>
</tr>
<tr>
<td>25</td>
<td>To provide a high degree of consistency in the face of constantly changing social and economic values.</td>
</tr>
<tr>
<td>27</td>
<td>Speech material for company executives and managers and for training films.</td>
</tr>
<tr>
<td>36</td>
<td>Orientation of new supervision (non-supervisory being promoted and new employees).</td>
</tr>
<tr>
<td>43</td>
<td>Most offices have the document frames and displayed prominently.</td>
</tr>
<tr>
<td>46</td>
<td>Every employee of ____ has been given a copy of the document in one form or another. Framed copies are located throughout the plants and offices. The statement has been used frequently in newspaper advertising of a community relations type. It is referred to frequently in oral and written communications to management people and employees generally.</td>
</tr>
<tr>
<td>61</td>
<td>This document was given to all supervisors in the company as a step toward achieving the purposes. One section of our new Supervisor's Orientation Program is devoted to discussion and explanation of the philosophy.</td>
</tr>
</tbody>
</table>
Publication in our magazine for stockholders and informational booklets for the general public.

Distribution to opinion leaders in our telephone operating territories and plant communities.

To bring plant and the organization back together when as always happens, some individual strays.

For the specific guidance of all personnel in their day-to-day activities.

To be published as a document standing alone. May also be included in a Practice Manual as a preface.

Distributed widely - Have facts about the company on the reverse side of booklet.

To resolve conflicts in organizational authority.
There are no other specific purposes for the document. It is not confidential and we do not try to restrict its publication if some purpose can be achieved. It has been published in some of the news letters put out by divisions within the company. However, we put forth no special effort to publicize it, since over-use entails a risk of detracting from its sincerity.

Sections of the Creed are often quoted in communications with the unions as a reminder of the basic principles underlying the treatment of employees.

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Four</th>
</tr>
</thead>
<tbody>
<tr>
<td>24,43,46,95,97,120, 152,27,140</td>
<td>For wide distribution</td>
</tr>
<tr>
<td>61,36</td>
<td>Orientation and Indoctrination</td>
</tr>
<tr>
<td>25,106,140,167</td>
<td>Decision Making</td>
</tr>
<tr>
<td>212</td>
<td>Labor union contracts</td>
</tr>
<tr>
<td>1,72,99,118,126,128, 149,166,206,208,246, 219</td>
<td>No</td>
</tr>
</tbody>
</table>
The purpose of question four is to see if there are any uses of the document not provided for in the check-type answer to question three. The twelve who answer "no" indicate that the uses have been well covered in question three. As for the decision making category, this is another way of saying unity of thought and action. "Orientation and indoctrination" is a method of achieving unity of thought. "For wide distribution" refers to the scope of the indoctrination effort which is covered in detail in Chapters II and III. The answers to question four are reinforcing of other findings of the research project.

**Question Five:** "What relationship is there between the document and policy in your company?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Five</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Serves as a broad corporate guide when establishing policy and policy directives.</td>
</tr>
<tr>
<td>25</td>
<td>They are one and the same.</td>
</tr>
<tr>
<td>27</td>
<td>Forms the basis for company policy.</td>
</tr>
</tbody>
</table>
Supplement No. 1 to the management guide is the corporate policy guide. (Copy is attached with the management guide.)

Close relationship as we believe our ability to stay in business rests on our ability to adhere to the principles.

We seek to reflect the basic principles of the document in all company policy directives.

This philosophy is the general background against which all policies are tested.

This document is company policy promulgated by the means of a Corporate Office Executive Memorandum.

The statement of policy has been officially adopted by the Board of Directors. It is, therefore, synonymous with policy.

It is a statement of broad policy objectives.

It is the basic source of all major company policies. Lesser policies and many procedures develop from its guidance.

The document is policy.

Document reflects policy.

The principles stated in the document are the cornerstones upon which the company was founded and upon which company policies are built. As such, they come before and thoroughly permeate company policies.

It is a general guide.

They are the same.
The basic objectives are outlined in our Organization Manual. These objectives correlate closely with any policies formulated regarding business.

Contained in our Policy Manual.

Each individual policy relates to and is an extension of the company platform.

This is "announced" policy and is intellectually understood and accepted; however, practices vary and we are only beginning to get adherence to this policy.

They are consistent.

Aside from the fact that the document is in itself a statement of policy, all other major policy proposals are judged in the context of its guidelines.

This question has been covered in previous comments, it is included in our policy manual.

The document is essentially a statement of philosophy which is the basis for formulating policy.

The document, substantially, is policy.

No answer.
Chart 14

Synthesis of Replies to Question Five

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Five</th>
</tr>
</thead>
<tbody>
<tr>
<td>25, 72, 95, 97, 106, 128, 140, 167, 208, 219</td>
<td>The philosophy of management and policy are the same</td>
</tr>
<tr>
<td>1, 24, 27, 36, 43, 46, 61, 99, 118, 120, 126, 149, 152, 166, 206, 209, 212</td>
<td>Policy implements the philosophy of management</td>
</tr>
<tr>
<td>219</td>
<td>No answer</td>
</tr>
</tbody>
</table>

In Chart 14, certain respondents consider the philosophy of management and the policy to be the same. If the results of this question are taken at their face value then we run into a conflict. It is necessary to have a basic document, permanent in nature, which expresses the central value structure of the top management team. This document is the source of rationale for all derived policies. In the interviews this apparent conflict is cleared up. The interviews reveal that the respondents who consider the philosophy and the policy to be the same thing, do in fact have more detailed instructions which augment what the respondents consider to be the policy-philosophy
statement. What some companies call their statement of philosophy other companies call their policy. For those companies which describe the basic statement as policy, they do have more detailed instructions referred to generally as standard practice instructions or procedures. The confusion with question five is therefore a confusion of terminology. What some companies call the policy body and SPI's other companies call the philosophy and policy. The latter is the terminology of this research project. The interviews clear up this apparent confusion. All the interviewees do have a basic body of central values which is implemented by more detailed instructions. There is therefore no problem with answers to question five.

Questions Six, Seven, Nine and Eleven:

Six: "Do you cite policy statements in written plans and/or directives of the company?"

Seven: "Is the document used directly for guidance in making decisions on which present policy does not exist or does not apply?"

Nine: "Are the document and policy ever used together?"

Eleven: "Is the document implemented by policy?"
Chart 15

Summary of Replies to Questions
Six, Seven, Nine, and Eleven

<table>
<thead>
<tr>
<th>Category of Response to Questions Six, Seven, Nine and Eleven</th>
<th>Number of Responses by Question Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Always</td>
<td>6</td>
</tr>
<tr>
<td>Occasionally</td>
<td>20</td>
</tr>
<tr>
<td>Seldom</td>
<td>2</td>
</tr>
<tr>
<td>Never</td>
<td>1</td>
</tr>
<tr>
<td>Do Not Know</td>
<td>3</td>
</tr>
<tr>
<td>No Answer</td>
<td>1</td>
</tr>
</tbody>
</table>

The intent of questions six, seven, nine, and eleven is to obtain some approximate idea by asking a series of related questions as to the extent to which practitioners agree on the immediate relationship between the document and policy. Question six deals with whether there is a transfer of the intellectual organization to operational application. If plans and directive are major operational tools, then the extent to which the operations are affected by the intellectual structure should be indicated by the answers to question six. As can be seen, the evidence is strong of a direct operational carryover. The large number in the "Occasionally" category may cause some doubt.
However, this is cleared up by further investigation. One respondent expresses the view of many in saying that,

There are a lot of ideas embodied in policy which the management team knows and accepts. These policies are seldom quoted. There are some policies, however, that are not so well accepted and when there is some grounds to feel that they might be violated, these are the ones which get quoted.

Accepting the above then as our explanation, it becomes easy to assert that the policy which is based on the philosophy does receive operational application in empirical practice.

As to the use of the document for making decisions on which present policy does not exist or does not apply, the respondents clearly indicate the value of the document. It does have usefulness in making decisions. As to whether the document is used so directly as the question might indicate, the answer must be found in looking at the answer to question fourteen. In the sense of the documents' contents being a pervasive influence on managerial thought, rather than as a tangible tool, the extent to which the document is used by the respondents for decision making, is large. Twenty-two of twenty-eight respondents did check the two categories of highest frequency.
There may be some doubt in a specific situation in which a given policy is to be applied, as to whether the policy fits the circumstances as presented. Policies are specific. They are applied in specific situations. The applicability of a policy may therefore be troublesome. What is intended when the policy is originally developed is the maintenance of the "spirit" or intent of the policy. When a decision on policy applicability is made what is wanted is the maintenance of the "spirit" of the policy. The source of such "spirit" or intent is the statement of management philosophy. In such a case, the decision maker uses a duality of focal points, the policy itself and the philosophy. They are both used together to resolve the issue. The manner of stating question nine was deliberate. By stating the question in this manner, the extent of the idea of the dual use of the philosophy should have come out. As one can see by the answers, the question serves to confuse the reader. The spread across all categories as well as the five in the no answer category indicates the confusion.

The reasoning underlying question nine was probed in the interviews. The concensus of the interviewees was
that the researcher gave the act of policy application more sophistication than it deserved. They agreed that such a description was plausible but that they could not verify it in their experience. To them the line of reasoning seemed to imply that every time a policy ruling was made in the midst of questionable applicability, that the managers reached for their philosophy. They did not believe that such was the case. The philosophy was so well imbued into the managers however, that they unconsciously did apply it along with the policy in question.

It was hoped that the synthesis of the answers to question five could be compared to the categorical check-answers of question eleven. Question five was synthesized before a tabulation of the answers to question eleven. There was therefore, no influence of the replies to question eleven on the highly subjective process of synthesizing the answers to question five. A comparison of the synthesized answers to the two questions (considered the semantic problem that we had in answers to question five) reveals a remarkably degree of consistency between the two answers. The empirical finding thus indicates rather strongly that the philosophy of management is a guiding source of ideas behind stated policies.
Question Eight: "If the document is used for making decisions on which present policy does not help, what method do you use?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Eight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Broas corporate and concepts must be considered when establishing new policies.</td>
</tr>
<tr>
<td>24</td>
<td>No answer.</td>
</tr>
<tr>
<td>25</td>
<td>(See #7) ____ policies are sufficiently broad to provide guidance in virtually all situations.</td>
</tr>
<tr>
<td>27</td>
<td>Not clear.</td>
</tr>
<tr>
<td>36</td>
<td>Rely primarily on the basic management concept which makes up Part II A and B of the management guide.</td>
</tr>
<tr>
<td>43</td>
<td>The document is practically a way of life and for the most part is not isolated and thrust at decision making groups.</td>
</tr>
<tr>
<td>46</td>
<td>I do not understand this question.</td>
</tr>
<tr>
<td>61</td>
<td>No answer.</td>
</tr>
<tr>
<td>72</td>
<td>No answer.</td>
</tr>
<tr>
<td>95</td>
<td>The statement of policy serves as a starting point. Factors affecting a decision are weighed against the spirit of the policy.</td>
</tr>
<tr>
<td>97</td>
<td>No answer.</td>
</tr>
<tr>
<td>99</td>
<td>We believe we have covered all major policy fields in general terms. In consequence, present policy can be applied in nearly all division areas.</td>
</tr>
</tbody>
</table>
Study the "document" and evolve policy as needed.

No answer.

We rely on the judgment of the drafter of the proposed policy and that of the agency reviewing the proposed policy.

No answer.

Develop a policy to cover the problem.

No answer.

Not to my knowledge.

Discussion and final decision by proper authority.

No answer.

No answer.

No answer.

See footnote for Question 7. This question cannot be answered by the choices offered without comment. In the instance of the requirement for a decision for which a policy does not exist, we are required to make the policy decision first whenever practical. That decision will be consistent with the Corporate Objective.
The document provides a point of view, or bias, which facilitates decision making in the absence of specific policy.

No answer.

No answer.

Chart 16
Synthesis of Replies to Question Eight

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Eight</th>
</tr>
</thead>
<tbody>
<tr>
<td>25, 99</td>
<td>No situation in which policy does not apply due to breadth of policy coverage</td>
</tr>
<tr>
<td>43, 95, 208, 209, 212</td>
<td>Spirit of the document pervades everybody's thinking</td>
</tr>
<tr>
<td>106, 128, 152, 1, 36</td>
<td>By reflection of the ideas in the document and subsequent policy development</td>
</tr>
<tr>
<td>120</td>
<td>No direct check is made between the document and new policy</td>
</tr>
<tr>
<td>24, 27, 46, 61, 72, 97, 118, 126, 140, 149, 166, 167, 206, 219, 246</td>
<td>No answer</td>
</tr>
</tbody>
</table>

If the manager is faced with a situation in which existing policy clearly does not apply, then recourse is made to the written philosophy. Some guidance can be
gotten from it to at least provide a starting point in thinking the issue through. Such is the reasoning which underlies question eight. It is also very close to the reasoning behind nine. The answers to question eight are understandable in light of the interviewees comments on question nine. If the survey respondents react the same as the interviewees, then fifteen respondents in the no answer category is to be expected. One respondent admits that no direct check is made between the document and the policy. Two of the respondents use policy in the sense of philosophy (the confusion is cleared up in the comment on question five) and said that due to the breadth of policy coverage, there is no situation in which policy does not apply. This answer is certainly true -- recognizing the semantic problem -- however for obvious reasons it cannot be relied upon. Five cited the "pervasive influence" idea while five actually stated that they reflect on the ideas in the document and then develop the policy. This is suggestive of a method but is not very different from the pervasive influence idea.

One respondent suggested a way to think about the role of the document in influencing policy development. He
suggested that for different individuals and management groups there are probably different degrees of deliberation or consciousness with which the ideas in the document are applied. The more ingrained the philosophy, the less deliberation or less conscious is the mental activity of applying the document. This appears to the writer to be a logical explanation. A program of indoctrination strives for a complete embodiment of certain central values in the consciousness of each member of the organization. If this can be accomplished, then the contents become so interlaced and ingrained into a person's thinking that there is no describable method that can exist for policy development. For those who are less familiar with the central values of the organization -- because of a less effective indoctrination, newness to the organization, or because of newness to the philosophy -- the method of direct reflection is an expected answer. Thus after some interpretation the seeming conflicting and unrelated answers to question eight make sense.
Question Ten: "If the policy and the document are used together, what methods do you use?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Ten</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No answer.</td>
</tr>
<tr>
<td>24</td>
<td>Published together - we have the attached pamphlet for general distribution. A more specific and extensive explanation of policy is published in a policy manual which is held by all line and staff members.</td>
</tr>
<tr>
<td>25</td>
<td>____ policies have existed in their present form since 1919 and are widely known throughout most of _____. We are presently considering the use of a special program to disseminate information about the policies to recently merged units of the company.</td>
</tr>
<tr>
<td>27</td>
<td>Not clear.</td>
</tr>
<tr>
<td>36</td>
<td>Transmitted together to insure adequate cross reference one to another.</td>
</tr>
<tr>
<td>43</td>
<td>No answer.</td>
</tr>
<tr>
<td>46</td>
<td>This question is not clear to me. However, a policy statement might or might not be accompanied by a copy of or references to the document. In any event, no policy statement would be issued which was in conflict with the principles expressed in the document.</td>
</tr>
<tr>
<td>61</td>
<td>Our policies are quite specific and spell out the company position on some 45 items. The philosophy is more general in nature and it is hoped will be used in all instances where specific policy has not been spelled out.</td>
</tr>
</tbody>
</table>
As stated in 5 above, we consider this document to be a statement of policy.

Since the statement of policy has been adopted the Board of Directors, it is, as indicated previously, synonymous with policy. Actions are governed by it.

Depends on situation, but usually the statement of objectives leads to the enumeration of a specific policy, which in turn is followed by a set of procedures to implement the policy.

No answer.

They are one and the same.

Might refer to it to persuade managers that a particular course of action would be required to be consistent with Mr.____ policy as we understand it.

An example is the ____ organization manual which contains corporate principles (the document) and organizational principles. These are used together throughout the company in determining organizational responsibilities and performance criteria.

No answer.

See answer to #6 above. Answer . . . occasionally.

No answer.

No answer.

Cite the ____.

No answer.

No answer.
206 No answer.

208 The document is distributed, as part of the Organization-Management Guide, to _____ executives and the top management of its affiliates, and a similar distribution, in series form, is made of major policy statements -- these are used concurrently by the recipients in their daily activities.

209 Question not appropriate for our use.

212 There is some doubt as to the meaning of this question. The document and policy are interrelated and policy cannot be administered without following the principles of the document.

219 No answer.

246 No answer.

Chart 17
Synthesis of Replies to Question Ten

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthetical Answers to Question Ten</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,46,72,95,106</td>
<td>Policy and philosophy are synonomous or similar</td>
</tr>
<tr>
<td>24</td>
<td>Policy and philosophy are published in the same document</td>
</tr>
<tr>
<td>36,61,97,118,120,152,208,212</td>
<td>Policy and philosophy are not in the same document but are used together</td>
</tr>
<tr>
<td>1,27,43,99,126,128,140,149,166,167,206,209,219,246</td>
<td>No answer</td>
</tr>
</tbody>
</table>
The remarks following Chart 16 apply also to the above answers. No additional comment seems appropriate since the answers in Chart 17 are self-evident or have been commented on previously.

**Part IV. Evaluation of the Effectiveness of A Philosophy of Management**

(Questions 12, 13, and 14)

Question Twelve: "Does your company have a definite method for evaluating the effectiveness of your document?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Twelve</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>No.</td>
</tr>
<tr>
<td>8</td>
<td>Yes.</td>
</tr>
</tbody>
</table>

Question Thirteen: "If you answered yes to question twelve, would you please provide a brief explanation of the methods used for evaluation?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Thirteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>Annual Long Range Planning Review and Report plus quarterly reviews.</td>
</tr>
<tr>
<td>106</td>
<td>Constant re-review of document and appraisal by participating top management members.</td>
</tr>
</tbody>
</table>
Evaluation of the success of the corporation in achieving its objectives and of the effectiveness of ____ personnel in adhering to those corporate principles embodied in their job descriptions.

Checked over each year for present applicability.

By conducting monthly performance reviews.

The entire ____ organization structure is designed to implement the company's management philosophy; since it is intended as a guide to successful management, the evaluation of its effectiveness is apparent, not only to management itself, but to the company's employees and shareholders as well as interested outside parties, i.e., what are its profits and what is its standing with governments, shareholders, customers, employees and the public.

The achievement of portions of the Corporate Objectives are included in Managements Standards of Performance. In some cases, their achievement is determined by surveys conducted by our Public Relations Department.

Feedback and resolution of problems within the document's framework.
Chart 18

Synthesis of Replies to Question Thirteen

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Synthesized Answers to Question Thirteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>72,167,152</td>
<td>By periodic formal performance reviews</td>
</tr>
<tr>
<td>120,106,208</td>
<td>By evaluation of company success</td>
</tr>
<tr>
<td>209</td>
<td>By surveys with the public</td>
</tr>
<tr>
<td>219</td>
<td>By resolution of problems</td>
</tr>
</tbody>
</table>

*There are eight respondent answers because only eight answered yes to question twelve.

Question Fourteen: "If you answered no to question twelve, would you please provide a brief explanation why you do not have a method of evaluation?"

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Raw Answers to Question Fourteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Broad corporate objectives and concepts to guide managers in setting policy. Therefore, evaluation of the effectiveness is difficult because of the many other factors involved in setting policy.</td>
</tr>
<tr>
<td>24</td>
<td>Haven't thought how we would go about it, we do know from experience and observation that it has been beneficial.</td>
</tr>
</tbody>
</table>
We believe our experience in the general area of employee relations and our actual competitive position are bases for judgment.

We believe it is important to state our principles in writing. We see no reason to "evaluate" such a printed form.

Because of the multitude of forces in actual effectiveness as well as the philosophical nature of this particular document.

The statement is quite broad and appraisal would be time-consuming. If we departed from policy it would show up negatively.

Don't really know. We probably just never have thought seriously about measuring employee or public acceptance of the document.

The Philosophy is a broad guidance document and the achievements hoped for could only be measured by measuring the results of the over-all management of the company.

A study adequate to evaluate the Statement of Policy realistically would be costly. Because of the wide circulation of the Statement and its brevity, such a study has not been considered to be sufficiently needed to warrant this cost.

It does not lend itself to a definite evaluation. It is a statement of broad objectives, a creed, and not a procedure.

Too new to know.

Simply haven't devoted the time and effort to do this.
No answer.

Question necessity for it - deviations are corrected as they occur.

Not felt necessary. Normal observation is sufficient.

Still in process of formalizing policy to implement these overall objectives.

Issued only recently.

No answer.

"Definite" evaluation seems to imply a mathematical approach to the determination of financial return. The principles set forth in the Creed are not subject to this type of evaluation. Instead, the effectiveness of the creed may be indicated by the harmonious relations of employees, continued support by our stockholders and acceptance of our products by our customers. In other words, the attainment of our objectives, whether concrete or abstract, is the best indication of the effectiveness of our principles.

The difficulty of finding an objective measure for evaluating the effectiveness of a statement of objectives has prevented any such evaluation. We hope improved profit results will provide a final and conclusive test.
## Chart 19

**Synthesis of Replies to Question Fourteen**

<table>
<thead>
<tr>
<th>Respondent Number&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Synthesized Answers to Question Fourteen</th>
</tr>
</thead>
<tbody>
<tr>
<td>24, 25, 140, 212, 61, 246, 128</td>
<td>Reliance upon general experience, observation of overall results and policy violation</td>
</tr>
<tr>
<td>97, 246, 1, 36, 43, 61</td>
<td>The document is too broad to lent itself to evaluation directly</td>
</tr>
<tr>
<td>46, 27, 24</td>
<td>No reason to ever think about evaluating the document</td>
</tr>
<tr>
<td>43, 95, 118</td>
<td>Too time consuming and/or costly to evaluate</td>
</tr>
<tr>
<td>99, 206, 166</td>
<td>Too new to evaluate</td>
</tr>
<tr>
<td>120, 209</td>
<td>No answer</td>
</tr>
</tbody>
</table>

<sup>a</sup>There are twenty respondents answers because only twenty replied no to question twelve. The answers of respondents 24, 61, 246, and 43 were put into two synthesized answers.
APPENDIX F

METHODOLOGY FOR MEASURING THE FACTORAL COVERAGE OF THE TWENTY-EIGHT MANAGEMENT PHILOSOPHIES

Introduction

The objective of this Appendix is to explain the methods that are used to measure the factorial coverage of the respondents' twenty-eight management philosophies. Each document is the unique product of the thinking of a particular management group, facing their own special company problems. Many of the groups are in divergent industries who use contrasting methods of composition, format, and brevity, of expression. For these reasons the documents appear to be highly dissimilar. However, the purpose is to ascertain the commonality of the documents.

A point of departure was the existing literature which asserted that a philosophy of management contains certain universal statements to guide a manager's thinking. This list of ten major factors was compared to the written statements as they were received from the respondents. A record was kept of the major factors about which each document had anything to say. When the last document was received and compared to the list, it was evident that a
comparison on this basis was too broad-gauge to be of much help in developing a full synthesis of the coverage of each document. A major factor, that of business procedure, was mentioned by only a few of the documents in any direct fashion. On the remaining factors, there was much said on a subfactoral basis. It was deemed desirable that this subfactoral discussion be brought out. The subfactoral coverage in many cases seemed to be similar. It was therefore decided to develop a more detailed outline with the major factors as primary divisions of the outline. The subdivisions were selected on the basis of readings in the literature and subfactors that seemed to be common in the documents. Three separate attempts were made to have a more complete outline which would conform to what seemed to be the factorial content of the highest proportion of the documents.

**The Initial Outline**

The outline after the first revision which resulted in the addition of major subdivisions, is shown in Figure 4. A philosophy of management serves to put a management group on record as to the way it desires to orient itself in its total societal context. It was judged that organized
Fig. 4. First revision of the outline of factorial coverage.

I. Organized Society

II. Business Objectives
   A. Primary Service
      1. Particular Human Needs
      2. Economic Values to Satisfy Needs
         a) Timeliness
         b) Location
         c) Quantity
         d) Price
         e) Quality
   B. Collateral Service
      1. Personal
         a) Employees
         b) Owners
         c) Suppliers
         d) Dealers
      2. Group
         a) Organized Labor
      3. Social
         a) Civic
         b) Government
   C. Secondary Service
      1. Economy
      2. Effectiveness

III. Standards of Business Conduct

IV. Executive Leadership
   A. Role of Management
   B. Functions of Management

V. Policy

VI. Business Functions
   A. Line
   B. Staff

VII. Physical Factors

VIII. Organization Structure

IX. Organization Morale
society would be a major segment of the outline. The major factor of business objectives was dealt with in substantial detail in the document so the revision of this factor developed the degree of detail which is shown in Figure 4. It did not appear at this juncture that personnel, as a major factor showed up clearly in the documents. It appeared that it was subsumed as part of personnel collateral service objectives. All enumerations on personnel were therefore made this way. It was very difficult to see across all the documents to develop any degree of sub-factoral detail on the remaining factors. They were therefore revised only slightly. Further revision would come from a second, more thorough perusal of the documents.

Criterion

In the second complete study of the documents it was necessary to clarify the criteria by which a document would be judged as covering a factor. The initial criteria were established from the elements of a definition of a philosophy of management. These elements were; factors or problems that are a part of almost every management situation, effects, the condition or results that are to exist upon solution of the problem, and principles, the statements
of universal truths regarding a factor which, if followed, will tend to provide the desired effect or result. The criterion that this definition suggests is that a document could be considered as covering a given factor if a correlative principle and effect were stated with each factor. An enumeration would then consist of a simple tabulation of the factor as mentioned, the effect and the principle. Each time that a new principle or effect was stated, these were to be added to the outline. When the principles and effects were mentioned regarding the same factor in another document, then a tabulation was to be entered beside the principle and effect previously noted. Doing this for all documents, with a constant expansion of the outline it was expected that the coverage across all twenty-eight statements could be developed in terms of principles and effects for each factor.

It was not possible to isolate the principles from desired effects in every written statement. With certain factors, this was easier to do than with others. For example, a written statement, in giving coverage to the factor of organization structure may say that single accountability of each person was a desirable effect. The
statement would then go on to state the principle of unity of command. In such a case the distinction between the principle and the desired effect was not too difficult. Such distinctions were not possible in a sufficient number of cases to enable enumeration on this basis. The analysis therefore was limited only to an enumeration of the factorial coverage of the statements.

The ultimate criterion used to decide whether or not a statement gave treatment to a factor was a modification from the original. A statement might say that it was the primary purpose of the company to serve customers by excelling in the production and distribution of a broad line of lumber products. If these were the only words relevant to the production and marketing function, no enumeration of the coverage of business functions was made. No principle or desired effect was stated with the factor of business functions. The factor was really the service objective as defined in a specific product. The desired effect was to excel. The principle is not stated. The criterion was that the factor must be the subject of the desired effect or principle. However, in those cases where no principle was present, the criterion was simply that
something substantive be said about the factor. This might be a desired effect only. It might only be the assertion that a given factor was important with no further elaboration. In view of the dissimilar nature of the documents, such loose criterion seemed necessary.

**The Second Outline**

A careful review of twenty-eight documents the second time caused additional modification of the outline. The outline as it appeared after the second review is shown in Figure 5. Figure 5 shows that the subfactor of economic value was expanded to include price, service and quality. The underlying condition of industry leadership and sales growth seemed to show up sufficiently frequent to include these subfactors. As can be seen, the subfactor of collateral personal service objectives of employees did come out. The judgment not to have personnel as a major factor seemed to have been unwise so it was put back into the outline. The distinction that was used for dividing the subfactors between personnel and collateral personal objectives of employees was to ask the question as to whether the document seemed to be saying it was requiring something of the employees or whether it was providing
Fig. 5. Second revision of the outline of factorial coverage.

I. Business Objectives
   A. Primary Service
      1. General Organizational Service
         a) Economic Values
            (1) Customer Needs
            (2) Specific Products
         b) Economic Values
            (1) Prices
            (2) Service
            (3) Quality
         c) Underlying Conditions of:
            (1) Industry Leadership
            (2) Sales Growth
      B. Collateral Service
         1. Personal
            a) Individual
               (1) Employees
                  (a) Promotion
                  (b) Compensation
                     i) Monetary
                     ii) Non-Monetary
                  (c) Employment Stability
                  (d) Personal Growth
                  (e) Working Conditions
                  (f) Fringe Benefits
                  (g) Caliber of Performance
                  (h) Concept of the Individual
                  (i) Recognition
                  (j) Appraisal
                  (k) Seniority
                  (l) Reputation of the Company
                  (m) Placement and Selection
                  (n) Creativity
               (2) Owners
                  (a) Profit
                  (b) Financial Return
                  (c) Information
               (3) Suppliers and Dealers
         b) Group
            (1) Organized Labor
Fig. 5 (Continued)

2. Social
   a) Civic and Governmental Units
      (1) Taxes
      (2) Laws

3. Employee Participation
   a) Organized Society
      (1) General Public
      (2) Economic and Political System
      (3) World Wide Outlook

II. Secondary Service Objectives
   A. Economy
   B. Effectiveness

III. Standards of Business Conduct

IV. Executive Leadership
   A. Quality of Managerial Personnel
   B. Functions of Management
      1. Planning
      2. Organizing
      3. Control
   C. Management Continuity

V. Policy

VI. Physical Performance Factors

VII. Organization Structure
   A. Decentralization
   B. Staff Line Relations
   C. Delegation
   D. Communication
   E. Authority and Responsibility
   F. Unity of Command
   G. Committees

VIII. Business Functions
   A. Marketing
   B. Production
   C. Finance
   D. Research and Development
   E. Transportation
   F. Public Relations

IX. Organization Morale
   A. Teamwork-Cooperation
   B. Attitudes
something to them. If the former, it became a personnel subfactor. If the latter, it became a subfactor of collateral personal objectives. As for the subfactors of owners, the detail spread to profit, dividends and providing information to stockholders. Suppliers and dealers were mentioned often enough to make this a discrete subfactor as was organized labor. Under collateral social objectives the discrete subcategories of detail are also shown.

As for standards of business conduct, no further details seemed possible so it stayed as a single item with no elaboration. For executive leadership the subfactor of the role of management in the sense of management prerogatives to conduct the affairs of the company, did not come out clearly at all. It was dropped and in its place emerged clear coverage on management functions, assertions on the quality of management and the need for continuity of management i.e., no disruption of operation due to the lack of men in important positions. Policy and physical performance factors escaped elaboration in outline two, however, organization structure, business functions and morale seemed to offer more detail than was detected in the first study.
The Third Outline

With a more detailed outline, a third study was conducted of each statement in relation to each factor. The purpose was to make sure that no subfactor had been overlooked in the process of deciphering meaning midst the ambiguities of language, differences in expression, composition and especially, organization of the statements. It was a perplexing process to sift out of the statements the subfactor relevant to each major factor. The documents were very dissimilar in their organization, placement and sequence of subjects.

The third study caused additional modifications of the outline. Here again the additions, deletions, and changes came about as the result of greater familiarity and understanding of the documents.

The process repeated itself many times of noticing a subfactor in a document for the first time and then being curious as to how many other documents concerned the same subfactor. After scrutinizing each document for this subfactor, if it showed up in more than one document, it was inserted in the outline. The result of the third study is in Figure 6. When a summary of the worksheet tabulation
Fig. 6. Third revision of the outline of factoral coverage.

I. Primary Organizational Service Objectives
   A. Economic Values
      1. Customer Needs
      2. Specific Products
      3. Prices
      4. Quality
      5. Service
      6. Innovation
   B. Underlying Conditions
      1. Industry Leadership
      2. Sales Growth
      3. Global Markets
      4. Selected Criterion for Increasing Economic Values

II. Collateral Service Objectives
   A. Personal
      1. Individual
         a) Employees
            (1) Promotion
            (2) Compensation
               (a) Monetary
               (b) Non-monetary
            (3) Employment Stability
            (4) Personal Growth
            (5) Working Conditions
            (6) Fringe Benefits
            (7) Recognition
            (8) Communication
         b) Owners
            (1) Profits
            (2) Dividends
            (3) Use of Capital
            (4) Information
         c) Suppliers or Dealers
      2. Group
         a) Organized Labor
         b) Competitors
Fig. 6 (Continued)

B. Social
1. Civic and Government Units
   a) Taxes
   b) Laws
   c) Employee Participation
   d) Responsible Citizenship
   e) Contributions
2. Organized Society
   a) General Public
   b) Economic and Political System
   c) Global Outlook
   d) Natural Resource Conservation

III. Secondary Service Objectives
A. Economy
B. Effectiveness

IV. Personnel
A. Caliber of Performance
B. Individual Dignity
C. Appraisal
D. Creativity
E. Company Reputation
F. Placement
G. Selection
H. Balance of Interests
I. Individual Honesty
J. Personnel Development
K. Equality of Technical and Managerial Personnel

V. Standards of Business Conduct
A. Conflict of Interests
B. Non-Discrimination

VI. Executive Leadership
A. Quality of Executive Personnel
B. Management Functions
   1. Plan
   2. Organize
   3. Control
C. Management Continuity
D. Management by Objectives
E. Confidence in Subordinates
VII. Policy
   A. Indoctrination
   B. Method of Application
   C. Development

VIII. Physical Performance Factors

IX. Organization Structure
   A. Decentralization
   B. Delegation
   C. Staff-Line Relations
   D. Communications
   E. Committees
   F. Procedures
   G. Principles
   H. Viability
   I. Cross Contacts

X. Business Functions
   A. Marketing
   B. Production
   C. Finance
   D. Research and Development
   E. Public Relations

XI. Organizational Morale
   A. Cooperation-teamwork
   B. Attitudes
was developed it was necessary to make some additional changes. The final result is shown in Figure 7.

Testing for Replication

A test was devised to ascertain whether the final outline represented the complete coverage of the documents. This was done by testing for replication. If another person attempted the same project he should come up with results very similar to those obtained by the researcher if the factorial coverage enumeration was to be reliable. To ascertain if this was possible, the final outline, the document, and the criterion for factorial coverage were given to a graduate student with instructions to study each document and to tabulate each factor each time it was mentioned in each document. No additional instructions were given, nor was the researcher's tabulations shown to the graduate student so that any possibility of bias or influence could be minimized. Upon completion the graduate student's tabulation review was compared with that of the researcher. For six major factors the graduate student's tabulation agreed with the researcher's. On the remaining five
Fig. 7. Principal management factors and subfactors which twenty-eight management philosophies give coverage to by number and percentage.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Primary Organizational Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objectives</td>
<td>26</td>
<td>92.8</td>
</tr>
<tr>
<td>A. Economic Values</td>
<td>26</td>
<td>92.8</td>
</tr>
<tr>
<td>1. Customer Needs</td>
<td>13</td>
<td>46.4</td>
</tr>
<tr>
<td>2. Specific Products</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>3. Prices</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>4. Quality</td>
<td>19</td>
<td>67.8</td>
</tr>
<tr>
<td>5. Service</td>
<td>8</td>
<td>28.6</td>
</tr>
<tr>
<td>6. Innovation</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>B. Underlying Conditions</td>
<td>19</td>
<td>67.8</td>
</tr>
<tr>
<td>1. Industry Leadership</td>
<td>7</td>
<td>25.0</td>
</tr>
<tr>
<td>2. Sales Growth</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>3. Global Markets</td>
<td>7</td>
<td>25.0</td>
</tr>
<tr>
<td>4. Selected Criteria for Increasing Economic Values</td>
<td>7</td>
<td>25.0</td>
</tr>
<tr>
<td>II. Collateral Service Objectives</td>
<td>27</td>
<td>96.4</td>
</tr>
<tr>
<td>A. Personal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Individual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Employees</td>
<td>27</td>
<td>96.4</td>
</tr>
<tr>
<td>(1) Promotion</td>
<td>20</td>
<td>71.4</td>
</tr>
<tr>
<td>(2) Compensation</td>
<td>20</td>
<td>71.4</td>
</tr>
<tr>
<td>(a) Monetary</td>
<td>16</td>
<td>57.1</td>
</tr>
<tr>
<td>(b) Non-Monetary</td>
<td>12</td>
<td>42.9</td>
</tr>
<tr>
<td>(3) Employment Stability</td>
<td>12</td>
<td>42.9</td>
</tr>
<tr>
<td>(4) Personal Growth</td>
<td>21</td>
<td>75.0</td>
</tr>
<tr>
<td>(5) Working Conditions</td>
<td>18</td>
<td>64.3</td>
</tr>
<tr>
<td>(6) Fringe Benefits</td>
<td>8</td>
<td>28.6</td>
</tr>
<tr>
<td>(7) Recognition</td>
<td>5</td>
<td>17.9</td>
</tr>
<tr>
<td>(8) Communication</td>
<td>13</td>
<td>46.4</td>
</tr>
<tr>
<td>b) Owners</td>
<td>27</td>
<td>96.4</td>
</tr>
<tr>
<td>(1) Profit</td>
<td>26</td>
<td>92.8</td>
</tr>
<tr>
<td>(2) Dividends</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>(3) Use of Capital</td>
<td>10</td>
<td>35.7</td>
</tr>
<tr>
<td>(4)</td>
<td>4</td>
<td>14.3</td>
</tr>
<tr>
<td>2. Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Suppliers and Dealers</td>
<td>8</td>
<td>28.6</td>
</tr>
<tr>
<td>b) Organized Labor</td>
<td>3</td>
<td>10.7</td>
</tr>
<tr>
<td>c) Competitors</td>
<td>2</td>
<td>10.7</td>
</tr>
</tbody>
</table>
Fig. 7 (Continued)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B. Social</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Civic and Government Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Taxes</td>
<td>9</td>
<td>32.1</td>
</tr>
<tr>
<td>b) Laws</td>
<td>10</td>
<td>35.7</td>
</tr>
<tr>
<td>c) Employee Participation</td>
<td>14</td>
<td>50.0</td>
</tr>
<tr>
<td>d) Responsible Citizenship</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>e) Contributions</td>
<td>7</td>
<td>25.0</td>
</tr>
<tr>
<td>2. Organized Society</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) General Public</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>b) Economic and Political System</td>
<td>11</td>
<td>39.3</td>
</tr>
<tr>
<td>c) Global Outlook</td>
<td>9</td>
<td>32.1</td>
</tr>
<tr>
<td>d) Natural Resource Conservation</td>
<td>5</td>
<td>17.9</td>
</tr>
<tr>
<td><strong>III. Secondary Service Objectives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Economy</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td>B. Effectiveness</td>
<td>17</td>
<td>60.7</td>
</tr>
<tr>
<td><strong>IV. Personnel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Caliber of Performance</td>
<td>20</td>
<td>71.4</td>
</tr>
<tr>
<td>B. Individual Dignity</td>
<td>15</td>
<td>53.6</td>
</tr>
<tr>
<td>C. Appraisal</td>
<td>8</td>
<td>28.6</td>
</tr>
<tr>
<td>D. Creativity</td>
<td>14</td>
<td>50.0</td>
</tr>
<tr>
<td>E. Company Reputation</td>
<td>6</td>
<td>21.4</td>
</tr>
<tr>
<td>F. Placement</td>
<td>3</td>
<td>10.7</td>
</tr>
<tr>
<td>G. Selection</td>
<td>8</td>
<td>28.6</td>
</tr>
<tr>
<td>H. Balance of Interests</td>
<td>15</td>
<td>53.6</td>
</tr>
<tr>
<td>I. Personnel Development</td>
<td>13</td>
<td>46.4</td>
</tr>
<tr>
<td>J. Equality of Technical and Managerial Personnel</td>
<td>2</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>V. Standards of Business Conduct</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Ethics in General</td>
<td>13</td>
<td>46.4</td>
</tr>
<tr>
<td>B. Conflict of Interests</td>
<td>5</td>
<td>17.9</td>
</tr>
<tr>
<td>C. Non-Discrimination</td>
<td>2</td>
<td>7.1</td>
</tr>
</tbody>
</table>
VI. Executive Leadership
A. Requirements of Executive Personnel 
B. Common Responsibilities of Managers
C. Functions of Management
D. Management Continuity
E. Management by Objectives

VII. Policy
A. Adherence 
B. Application 
C. Development

VIII. Physical Performance Factors

IX. Organization Structure
A. Decentralization
B. Delegation
C. Relationships
D. Communications
E. Committees
F. Procedures
G. Principles
H. Flexibility
I. Cross Contacts

X. Business Functions
A. Marketing
B. Production
C. Finance
D. Research and Development
E. Public Relations

XI. Organization Morale
A. Cooperation-Teamwork
B. Attitudes
factors the graduate student's tabulation and the
researcher's tabulation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Researcher</th>
<th></th>
<th>Graduate Student</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Standards of Business Conduct</td>
<td>21</td>
<td>75.7</td>
<td>22</td>
<td>78.6</td>
</tr>
<tr>
<td>Collateral Service Objectives</td>
<td>27</td>
<td>96.4</td>
<td>25</td>
<td>89.3</td>
</tr>
<tr>
<td>Organization Morale</td>
<td>17</td>
<td>60.7</td>
<td>19</td>
<td>67.8</td>
</tr>
<tr>
<td>Physical Performance Factor</td>
<td>13</td>
<td>46.4</td>
<td>16</td>
<td>57.1</td>
</tr>
<tr>
<td>Policy</td>
<td>15</td>
<td>53.6</td>
<td>14</td>
<td>50.0</td>
</tr>
</tbody>
</table>

Differences between the researcher and the graduate student were expected in view of the nature of the documents. The fact that for six of the factors, the factorial coverage of the document was the same, indicates some replication. The difference does not seem significant enough to destroy the value of the outline as generally representative of the composite coverage of documents.

The test for replication on coverage of major factors took thirty hours of the graduate student's time. A test for agreement on subfactoral coverage would have exceeded this time to such a great extent that it was not feasible. In effect, the graduate student would have had to duplicate the work of the researcher and this would have taken several months time. The test of major factors only was a
close approximation which was accepted by the researcher as adequate.

The test may be criticized in that the graduate student was provided with a fixed outline as developed by the researcher. No assurance was provided that the researcher may have missed one or more major factors. This possibility, although remote, may exist.

Summary

The objective of this Appendix was to explain the methods that were used to develop a measure of the factorial coverage of the twenty-eight management philosophies. It was necessary to develop some yardstick to which the scope of each document could be compared. This was done by looking to the documents themselves to ascertain the commonality of content. The question which remains before the yardstick can be judged, is the method of making the semantic differences compatible with the common headings of the factorial outline. This is the concern of Appendix G.
APPENDIX G

FACTORAL COVERAGE OUTLINE SHOWING HOW DIFFERING WORDS AND PHRASES IN THE DOCUMENTS WERE SUBSUMED UNDER COMMON HEADINGS

Introduction

Once an outline of the composite factorial coverage of the documents was developed and established as reliable, a fundamental basis was on hand for organizing the diverse material of each of the statements. It was necessary to bring together under common factorial and sub-factoral headings the various phrases and paragraphs on each factor and sub-factor in order to show commonality of meaning between the heading and the phrases. Only selected phrases and paragraphs which offered different meanings were subsumed under the common headings. It was considered unnecessary effort to extract from a document, words and phrases the meaning of which had already been extracted from a previous document and subsumed under a common heading.

The number of the respondent's document from which were taken phrases and paragraphs, the divisions of the outline, and the corresponding selected phrase, form the constituent elements of this appendix. The total number of phrases does not agree with the factorial coverage
tabulation as shown in Appendix E because of duplicated meanings. In the case of several phrases from different documents with the same meanings only the most representative phrase from one of the documents was quoted. The quotations show the deletion of certain words and phrases. Such deletions were necessary to eliminate irrelevancies and to eliminate excess verbiage. In all cases the researcher tried to be diligent and faithful to the context of the paragraphs from which the phrases were extracted and the criteria for factorial coverage as explained in Appendix F.

The phrases were extracted factor by factor by first referring to the factorial coverage tabulation as explained in Appendix F. The factorial coverage tabulation indicated which documents said anything about the factor. The portion of each document relevant to the factor was extracted if it offered a meaning distinct from previous documents.

After all the pertinent words and phrases had been extracted, an examination of that which remained in each document, showed that the essential content of each document had been taken away. That which was left was largely
excess verbiage and bits and pieces of meanings on various subfactors mentioned only by one document.

This Appendix is organized according to the factoral outline developed in the previous Appendix. For ease of reference, the major factor headings are located on the following pages of this Appendix:

| I. The Primary Organizational Service Objectives | 389 |
| II. The Collateral Service Objectives | 406 |
| Employees | 406 |
| Owners | 417 |
| Groups | 427 |
| Civic and Government Units | 431 |
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| III. Secondary Service Objectives | 449 |
| IV. Personnel | 451 |
| V. Standards of Business Conduct | 464 |
| VI. Executive Leadership | 468 |
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| VIII. Physical Performance Factors | 497 |
| IX. Organization Structure | 499 |
| X. Business Functions | 523 |
| XI. Organization Morale | 532 |
I. THE PRIMARY ORGANIZATIONAL SERVICE OBJECTIVES

Economic Values in Terms of General Market Needs: An expression of the primary organizational service objective in terms of the company to satisfy certain needs of people or markets regardless of the form of the final product, rather than in terms of specific products only.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>99</td>
<td>All of our action plans must arise from the needs and wants of the markets we serve and others we will serve in the future.</td>
</tr>
<tr>
<td>99</td>
<td>To customers, _____ owes its reason for being. We shall endeavor by all legitimate means to serve well their needs and wants to the end that we shall attract and hold ever increasing numbers and proportions of customers of the markets we supply. We solicit their confidence in us as well as their patronage with us, and shall act with the intention and the integrity to deserve such confidence and patronage.</td>
</tr>
<tr>
<td>212</td>
<td>We believe our Company's principal role in America's future will be to develop petroleum and other energy resources, to process petroleum and related raw materials into high quality products for sale at competitive prices, and to provide such services as will help us to accomplish these ends most effectively.</td>
</tr>
<tr>
<td>246</td>
<td>To produce products that best utilize available raw materials and that best meet market needs.</td>
</tr>
<tr>
<td>1</td>
<td>_____ will extend its record as a contributor to the health and well-being of people throughout the world.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>24</td>
<td>. . . we intend to fill the needs and wants of specific industries with products developed and produced by _____'s specialized know-how and experience.</td>
</tr>
<tr>
<td>99</td>
<td>. . . the production of products . . . to fill the needs of markets we can competently serve.</td>
</tr>
<tr>
<td>149</td>
<td>. . . curing and relieving the ills and preserving the health of man, plants, and animals.</td>
</tr>
<tr>
<td>27</td>
<td>To manufacture and distribute in the United States and abroad, lines of building and flooring products, packaging materials, industrial specialties, household supplies and related services which can be marketed profitably because they satisfy customer and consumer needs.</td>
</tr>
<tr>
<td>106</td>
<td>Our efforts will be directed toward searching out and thoroughly understanding the true needs of our customers and toward satisfying those needs; we will not attempt to out guess our customers or make modifications of their stated needs to fit in our capabilities.</td>
</tr>
<tr>
<td>152</td>
<td>To address the company's total mental and physical facilities to the task of transforming matter, by applied chemistry, into more useful compositions and making these available economically throughout the world.</td>
</tr>
</tbody>
</table>
Economic Values in Terms of Specific Products: An expression of the primary organizational service objective in terms of specific products which are presumably capable of satisfying the needs of people or a given market.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>246</td>
<td>To improve, diversify and expand its logging and manufacturing facilities and processes.</td>
</tr>
<tr>
<td>99</td>
<td>The manufacturing and marketing of products utilizing as major components natural and synthetic rubbers, plaster materials, textiles and metals, usually in combination with one another.</td>
</tr>
<tr>
<td>1</td>
<td>... in those areas of ... consumer products, proprietary drugs, specialty chemicals and animal health industries.</td>
</tr>
<tr>
<td>24</td>
<td>The major markets to be served by ... are ... foods and fibers and industrial chemicals.</td>
</tr>
<tr>
<td>95</td>
<td>Flouring milling is the backbone of the company.</td>
</tr>
<tr>
<td>106</td>
<td>... it is our desire to develop ... our specialized know-how ... into other special metal markets. By special metal markets we mean &quot;low tonnage&quot; items requiring know-how in manufacture rather than items readily adaptable to routine brass mill handling.</td>
</tr>
<tr>
<td>72</td>
<td>... we are an industrial complex engaged in the design, manufacture and sale of aircraft, missiles and space systems.</td>
</tr>
</tbody>
</table>
In order to attain our objectives, we will build and expand our strengths and abilities in the oil and chemical industries. . . .

We believe our Company's principal role in America's future will be to develop petroleum and other energy resources, to process petroleum and related raw materials. . . .

Economic Values in Terms of Prices, Quality and Service: An expression of the primary organizational service objective in terms of creating certain conditions not directly a part of the product but which are a part of the transaction between the economic institution providing economic values and those persons or institutions desiring such economic values.

. . . broadening our markets by increasing the quality, variety and availability of our services and products.

To provide customers with the highest standard of service.

To render dependable service.

To serve customers as efficiently and effectively as possible.

Our objectives are to have an outstanding reputation for customer service, and advanced customer-oriented planning.
<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>To adopt quality and service as a slogan. Quality, the highest attainable to be represented in product, in organization, plant, property and equipment. Service, the best possible, to be rendered to customers, to stockholders, to city, state, and nation.</td>
</tr>
<tr>
<td>209</td>
<td>Plan and conduct the company's activities with such imagination, energy, and skill that customers get full value and courteous service.</td>
</tr>
<tr>
<td>24</td>
<td>Delivering full value to customers in terms of product performance, consistency of quality, price availability, and service.</td>
</tr>
<tr>
<td>25</td>
<td>To adopt quality and service as a slogan.</td>
</tr>
<tr>
<td>27</td>
<td>To earn favorable customer and consumer acceptance of these products and services by maintaining high standards of quality and dependability, by selling them at fair prices consistent with their value, and by aggressive marketing efforts.</td>
</tr>
<tr>
<td>43</td>
<td>Prepare and market products that represent superior values to consumers and constantly improve these values. Our products are sound values because they are made from superior quality ingredients, . . . and delivered to consumers at low prices in relation to their value.</td>
</tr>
<tr>
<td>46</td>
<td>Offer products and services of unsurpassed quality . . . looking toward lowest possible costs and prices.</td>
</tr>
<tr>
<td>106</td>
<td>Our position in these markets . . . demands . . . the highest standards of performance.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

99
We will at all times attempt to secure such fair and adequate prices by all legitimate means, including well located distribution, customer-compelling product differentiation, assurance of high quality and good service and other legal means.

118
To continually improve . . . so that our costs will be as low or lower and our quality as good or better than competitors. To serve our customers so well that we will merit a volume of business from them relatively as great or greater than that engaged by competitors. . . . the company exists for the purpose of serving people . . . by providing needed products of high quality . . . and by accepting our position of responsibility toward our customers.

149
. . . by maintaining superiority . . . in products . . . and marketing.

126
We promise and claim less than many others, but shall endeavor as heretofore to furnish the best materials of the kind, and to make every resource available for their improvement.

128
To compete aggressively in the sale of our products in the interest of maximum sales volume, superior service to customers, satisfactory profit margins. . . .

95,97
Since the successful operation of all business in the final analysis must depend on the acceptance of the public, the public must be served fairly with the highest quality products at the lowest possible price consistent with our other obligations to our stockholders and employees.
Respondent No. Examples of Differing Words and Phrases

128 To inform our present and prospective customers of our products and provide them with quality products at competitive prices and prompt service at all times.

152 To provide our customers with the highest quality products, with the highest standards of service, at equitable prices.

166 To serve our customers honestly and effectively with highest quality products offered at competitive prices.

208 Profits depend to a large degree upon the ability of _____ affiliates to satisfy their customers' demands for crude oil and superior products at competitive prices.

206 We have always sought to provide products and services of high quality and reliability and to offer them at reasonable and competitive prices.

212 . . . high quality products for sale at competitive prices, and to provide such services as will help us to accomplish these ends most effectively.

Economic Values in Terms of Product Innovation: An expression of the primary organizational service objective in terms of the desire of the company to meet the constantly changing needs of its customers by providing new products which are capable of satisfying those new needs.

Respondent No. Examples of Differing Words and Phrases

24 Anticipating customer's changing requirements and developing new or modified products to meet these requirements.
Examples of Differing Words and Phrases

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>. . . the discovery of customer needs and the development of products and services to satisfy them, and by the acquisition of other enterprises . . .</td>
</tr>
<tr>
<td>61</td>
<td>We should also provide our share of research for the development of new and improved products . . .</td>
</tr>
<tr>
<td>99</td>
<td>It is an _____ objective to lead the industries in which we compete in product improvements and innovations, in the development of products to meet unsatisfied wants and in the improvement and development of products to meet old needs in better ways.</td>
</tr>
<tr>
<td>106</td>
<td>We will strive each year to have some part of our net income derive from products not made by us the previous year.</td>
</tr>
<tr>
<td>46</td>
<td>Lead in research and development.</td>
</tr>
<tr>
<td>97</td>
<td>. . . broadening our market by increasing the quality, variety and availability of our services and products.</td>
</tr>
<tr>
<td>212</td>
<td>We believe that the material well-being of the American people, as well as the strength of our company will . . . be largely dependent upon inventiveness in all aspects of our business.</td>
</tr>
<tr>
<td>126</td>
<td>. . . to improve old products and create new ones so as to continuously provide new fields . . .</td>
</tr>
<tr>
<td>128</td>
<td>. . . to maintain a forward look toward new products.</td>
</tr>
</tbody>
</table>
Respondent No. | Examples of Differing Words and Phrases
--- | ---
152 | . . . a steady flow of profitable new products and processes.
246 | . . . to develop new and improved products that will permit the substitution of more profitable ones for the less profitable.

Economic Values Under Conditions of Industry Leadership:
An expression of the primary service objective in terms of the desire of the company to be at the forefront on some defined basis in comparison to all companies offering similar values to the same customers.

Respondent No. | Examples of Differing Words and Phrases
--- | ---
46 | World leadership in air conditioning and kindred fields.
106 | Our primary aim is to preserve and enhance the company's position of leadership in silver and gold markets.
118 | With the objective of having the best team in the field.
152 | To settle for nothing less than technical leadership in the chemical industry, worldwide through the use of the best minds and the best facilities available.
149 | . . . maintaining high standards of leadership and a reputation for superiority in people, products, research, production and marketing.
99 | It is our purpose to maintain and extend this margin of (product) superiority.
By adequate research engineering and building programs to develop and maintain products, manufacturing processes, and manufacturing facilities that will ensure leadership in competitive fields.

Economic Values in Terms of Sales Growth: An expression of the primary organizational service objective in terms of a desire to have such customer acceptance of the products so that the total dollars being paid for the company's products is constantly expanding.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>246</td>
<td>By adequate research engineering and building programs to develop and maintain products, manufacturing processes, and manufacturing facilities that will ensure leadership in competitive fields.</td>
</tr>
<tr>
<td>1</td>
<td>_____ will maintain a rate of growth which is greater than the markets which it serves and at least as great as that of the leading companies in the pharmaceutical industry . . .</td>
</tr>
<tr>
<td>24</td>
<td>To achieve leadership and growth.</td>
</tr>
<tr>
<td>27</td>
<td>To achieve consistent and profitable sales growth.</td>
</tr>
<tr>
<td>43</td>
<td>Make our business grow. . . . our intense desire that the company be successful and that it grow.</td>
</tr>
<tr>
<td>72</td>
<td>. . . to insure steady long-term growth.</td>
</tr>
<tr>
<td>99</td>
<td>_____ is a growth company and will, at all times, conduct its affairs with growth objectives in mind.</td>
</tr>
<tr>
<td>118</td>
<td>To expand our plants and enter new lines of activity . . .</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>120</td>
<td>We must avoid those tendencies of inertia and complacency which often accompany sales growth. Our minds need to be kept fresh and young and alert for the opportunities of the future.</td>
</tr>
<tr>
<td>128</td>
<td>. . . to keep pace with the growth of our country and of its demands for products for civilian and military requirements.</td>
</tr>
<tr>
<td>140</td>
<td>. . . we believe in building our stature dynamically in our chosen fields by stimulating competence and growth in existing operations.</td>
</tr>
<tr>
<td>149</td>
<td>Explore the possible expansion of the company's activities to include the effective promotion and marketing of a sound line of consumer products. . . . a substantial effort will be maintained in support of the growth objectives of the Chemical Division.</td>
</tr>
<tr>
<td>152</td>
<td>In the belief that a company, like an individual must live by a set of principles, we hereby dedicate ourselves in our growth to . . .</td>
</tr>
<tr>
<td>212</td>
<td>. . . growth to satisfy consumer demand.</td>
</tr>
<tr>
<td>106</td>
<td>. . . it is our desire to develop fully our specialized capabilities - technical, manufacturing and selling - and to add compatible capabilities to these so as to extend our competence in other special metal markets.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>206</td>
<td>Our company has grown over the years by virtue of its own initiative and the expansion of our economy and we feel that our size is a mark of success. We sincerely believe that by being large we are better equipped to serve the best interests of the public. It is our desire to expand further and in whatever directions appear most promising.</td>
</tr>
<tr>
<td>209</td>
<td>It is the objective of the company to achieve profitable growth . . .</td>
</tr>
</tbody>
</table>

Economic Values Under Conditions of World-Wide Markets:  
An expression of the primary organizational service objectives in terms of whether the economic offerings will be made throughout the world.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>. . . to be a leader in carefully chosen fields of growth and opportunity on an international scale.</td>
</tr>
<tr>
<td>27</td>
<td>To manufacture and distribute in the U.S. and abroad.</td>
</tr>
<tr>
<td>72</td>
<td>Expand our international business.</td>
</tr>
<tr>
<td>99</td>
<td>. . . expansion of our interests in sounder and more promising foreign markets . . .</td>
</tr>
<tr>
<td>126</td>
<td>That we should constantly seek to provide better values at lower costs so that more . . . people can enjoy more of the world's goods.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>152</td>
<td>In our growth to plan globally with full appreciation of current political-social movements throughout the world, and to study opportunities in the light of these developments.</td>
</tr>
<tr>
<td>1</td>
<td>will organize for and serve the total world market.</td>
</tr>
</tbody>
</table>

Economic Values Under Selected Expansion Criteria: An expression of the primary organizational service objective in terms of the limits beyond which the company will not go in offering additional economic values.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>149</td>
<td>. . . long-term return on investment will be expected to compare favorable with the company's present experience.</td>
</tr>
<tr>
<td>152</td>
<td>To grow from within through research and technological development. To grow through acquisition only when this proves to be the most economical and feasible method of entering a field; and then only if the acquisition integrates well with existing company operations.</td>
</tr>
<tr>
<td>1</td>
<td>. . . in those areas in which it already has some familiarity. . . . in geographical or therapeutic areas in which it is not now adequately participating. . . . but which offer attractive sales and profit opportunities. . . . preferably . . . by internal growth . . . by acquisition or merger if such is necessary, feasible, and profitable.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>24</td>
<td>Participation in any new venture must be based upon accurate market analysis and exhaustive self-analysis to demonstrate promising financial rewards and is controllable by our managers. Offer growth potential. Be in an industry which is at the early stage of its growth cycle. Attractive return on investment given payment period in which is qualified by know-how, capital, and experience serve industrial market needs.</td>
</tr>
<tr>
<td>27</td>
<td>Which can be marketed profitably. To earn sufficient profit on the capital employed in the enterprise to provide for continuing growth and for regular and adequate dividends to stockholders.</td>
</tr>
<tr>
<td>43</td>
<td>Superior values and constantly improve these values.</td>
</tr>
<tr>
<td>72</td>
<td>Optimum utilization of our resources which are sufficient to provide long-term stability.</td>
</tr>
<tr>
<td>99</td>
<td>A steady increase in industry position. R and D successes and profitable commercialization rate of sales growth which will reflect a slowly rising proportion of gross national product. Earnings growth above the desired rate of sales growth.</td>
</tr>
<tr>
<td>106</td>
<td>Growth through developments of our own, turning to acquisitions of other businesses only where so doing is more economic and will speed progress over what we could do ourselves, or when opportunities from our own developments fail to provide desired growth.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>128</td>
<td>To broaden the scope of the corporation's interest and activities into new territories and products consistent with our manufacturing, sales, technical and managerial abilities and profit potential.</td>
</tr>
<tr>
<td>106</td>
<td>We will be highly discriminating in the selection of the activities with which we will occupy ourselves, selecting only those wherein we can make a real and lasting contribution. We will seek acceptance in our markets through the thoroughly competent performance of these activities and will avoid efforts to gain short term benefits at the expense of our true objective.</td>
</tr>
<tr>
<td>106</td>
<td>In each of our product lines, we will attempt to keep the diversity of products to a minimum consistent with the real technical requirements of our markets.</td>
</tr>
<tr>
<td>118</td>
<td>To expand our plants and enter new lines of activity whenever the undertaking appears wise and the investment sound in relation to the financial condition of the company.</td>
</tr>
<tr>
<td>149</td>
<td>Explore the possible expansion of the company's activities to include the effective promotion and marketing of a sound line of consumer products in the drug and related fields.</td>
</tr>
<tr>
<td>149</td>
<td>Decide upon the best manner for handling ethical and proprietary veterinary products so that the company's position in these fields can be expanded in a profitable manner.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>152</td>
<td>To emphasize expansion in areas where the company can achieve and maintain exclusiveness through patents, franchises or other special strengths.</td>
</tr>
<tr>
<td>149</td>
<td>In order (a) to broaden further the company's base beyond the fields of medicine and nutrition and (b) to profit from the organization's background and present abilities in fine chemicals and complex chemical processes, (c) to share in the growth of other segments of the chemical and related industries, and (d) to take account of the changing character of the bulk medicinal industry of the United States, a substantial effort will be maintained in support of the growth objectives of the Chemical Division. In each case, long term return on investment will be expected to compare favorably with the company's present experience.</td>
</tr>
<tr>
<td>149</td>
<td>Continue to use to best advantages our well established names, ______, either alone or as appropriate components, recognizing them to be valuable company assets.</td>
</tr>
<tr>
<td>209</td>
<td>It is the objective of our company to achieve profitable growth. . . . In order to attain our objective, we will use the experience and resources gained from our oil and chemical activities to pursue appropriate opportunities for participation in other industries.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

To improve and expand (as conditions warrant) its marketing organization and facilities as an essential factor in the efficient distribution of the company's products, and to recognize through its actions that satisfied customers are the first essential for a successful and profitable business.
II. THE COLLATERAL SERVICE OBJECTIVES, EMPLOYEES

Promotion: The fundamental concepts pertaining to the elevation of the status of personnel in the organization.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Definite avenues of advancement should be provided for all persons with growth potential. Promotions should be made from within, whenever possible and practicable.</td>
</tr>
<tr>
<td>72,106,1, 152</td>
<td>____ will bring in from outside sufficient personnel to fill those positions which cannot be filled from within . . .</td>
</tr>
<tr>
<td>219,46,24</td>
<td>Promote from within except where specialized job skills make it advisable to seek personnel from outside the company.</td>
</tr>
<tr>
<td>208</td>
<td>The primary requisite for promotion is the ability to do the job. This must include a man's ability to handle human relations: He commands the confidence of his subordinates; he is thoughtful and considerate of them as people; he helps to train, encourage, and develop them for more responsible jobs. The test of a good supervisor is not how good he is at bossing but how little bossing he has to do because of the training of his men and the organization of their work.</td>
</tr>
<tr>
<td>246,25</td>
<td>To provide every possible opportunity for advancement, as it is the ladder on which the individual hopes to reach his ultimate goal - his heart's evolution. Without such a ladder, there can be no such hope, and without hope, life may be a failure.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>61</td>
<td>. . . that they have a working situation in which they may realize the maximum of their potentialities and achieve the maximum of human satisfactions.</td>
</tr>
<tr>
<td>206,208, 209,97</td>
<td>. . . to provide for them expanding opportunities for advancement.</td>
</tr>
<tr>
<td>99</td>
<td>. . . the principle of promotion from within will be followed, based upon selection, without favor, and the best adequately qualified person. Where no well-qualified person can be found within, the . . . selection will be made from without.</td>
</tr>
<tr>
<td>106</td>
<td>. . . to provide opportunity for wage and salary progress on the basis of merit.</td>
</tr>
<tr>
<td>118</td>
<td>. . . a policy of non-discrimination in promotion. Merit and experience alone should govern, and all should have equal opportunity irrespective of race, color or creed.</td>
</tr>
<tr>
<td>206,120</td>
<td>Promotion in accordance with merit.</td>
</tr>
<tr>
<td>212,140,128</td>
<td>Provide opportunities for advancement consistent with individual abilities.</td>
</tr>
<tr>
<td>152</td>
<td>To provide an opportunity for individuals to achieve eminent stature.</td>
</tr>
<tr>
<td>99</td>
<td>To the extent that promotional qualifications are substantially equal, persons with the greater experience and service will be favored.</td>
</tr>
</tbody>
</table>
Respondent No. Examples of Differing Words and Phrases

118 . . . the objective of having the best team in the field . . . can only be done by employing the most careful methods of promotion . . .

118 To assist and encourage each employee to develop to his maximum capacity and to advance in the organization through his individual efforts . . .

149 To maintain that kind of environment (an environment that stimulates the personal development of . . . employees) selection for key positions of men and women who appreciate its importance and are prepared to ensure its continued existence is essential.

Compensation: The fundamental concepts which underlies the remuneration and incentive of the employees of primarily a monetary nature but also of a non-monetary nature when so stated in the documents as quoted below.

Respondent No. Examples of Differing Words and Phrases

95, 24, 97 Pay a fair wage for a fair day's work and in return expect the employee to recognize his obligation in the relationship. The basis for this will be a sound wage and salary administration program administered to provide incentive for increased productivity.
<table>
<thead>
<tr>
<th>Respondent No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>To provide not only fair remuneration, but the best compensation for service rendered that it is possible to pay under the changing economic, commercial, and other competitive conditions that exist from time to time. It is _____'s ambition to develop an organization of such spirit, loyalty and efficiency that can and will secure results which will make it possible for individual members to earn and receive better compensation than would be possible if performing a similar service in other fields of effort. To provide every possible and practical sound incentive to best effort as it is the great mainspring of all human accomplishment. Life has many incentives . . . organized industry can add other real incentives. . . .</td>
</tr>
<tr>
<td>27</td>
<td>. . . compensation on the basis of performance.</td>
</tr>
<tr>
<td>208,46</td>
<td>Pay its people well.</td>
</tr>
<tr>
<td>72,61</td>
<td>We must also strive to see that they (the employees) are rewarded properly for their contributions to the company.</td>
</tr>
<tr>
<td>99</td>
<td>Compensation . . . will be equal to, or above, levels prevailing in local markets in the types of businesses which we compete. Incentive methods of payment will be preferred where they are properly applicable and beneficial in attaining the company's objectives.</td>
</tr>
<tr>
<td>40,106</td>
<td>To pay wages and salaries which are fully up to the standard for similar work in the communities in which we operate and which are equitable in the relationship of one job to another.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words or Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>206,152,120</td>
<td>Equitable compensation in relation to skill, responsibility, performance.</td>
</tr>
<tr>
<td>106</td>
<td>To recognize the importance of long service to our business.</td>
</tr>
<tr>
<td>118</td>
<td>Properly reward employees by adequate compensation and offer them the opportunity of acquiring a stock ownership in the company. To provide a wage and salary structure which gives equitable compensation for work performed and under which the earnings of each employee can be readily computed, easily understood, and promptly paid.</td>
</tr>
<tr>
<td>120</td>
<td>. . . to provide a maximum degree of satisfaction on the part of our employees in their assigned tasks.</td>
</tr>
<tr>
<td>126</td>
<td>. . . provide the highest possible reward for the productivity of labor.</td>
</tr>
<tr>
<td>166</td>
<td>. . . by providing our employees with wages equal to or better than those of competing companies.</td>
</tr>
<tr>
<td>25</td>
<td>Wages . . . must come from production; they cannot be taken from working capital or from fixed capital . . .</td>
</tr>
</tbody>
</table>

Employment Stability: The assertions which pertain to providing steady jobs.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>128,24</td>
<td>. . . to the greatest possible extent, provide steady employment under continually improved working conditions.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>95, 46, 27, 140, 206</td>
<td>... by providing a high degree of employment security.</td>
</tr>
<tr>
<td>106</td>
<td>It is _____ firm conviction that a sound and profitable company is the employee's best guarantee of economic security and personal well-being.</td>
</tr>
<tr>
<td>126</td>
<td>That Business, Labor, Government and Agriculture working hand in hand can provide jobs and the opportunity for all to work for security without loss of our liberty and rights as free men.</td>
</tr>
<tr>
<td>106, 61</td>
<td>To our employees, our first obligation is to have a healthy, profitable company with an assured future so that they may look forward to stable employment throughout their working future.</td>
</tr>
<tr>
<td>106</td>
<td>To provide full time steady work by every means we can devise.</td>
</tr>
<tr>
<td>118</td>
<td>To provide continuous employment consistent with business conditions giving consideration, among other things, to length of service in the matter of layoffs and re-employment following layoffs.</td>
</tr>
</tbody>
</table>
| 120 | ... so as to continuously provide new fields of employment for the present and the coming generations ... we should strive to develop the efficiency of industry ...
Personal Growth: The assertions which relate to the creation of conditions which enable an individual to increase his ability, knowledge, work satisfactions and pride.

<table>
<thead>
<tr>
<th>No.</th>
<th>Example of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>149,1</td>
<td>______ will provide a climate which will continue to enable it to attract, retain, and develop personnel of outstanding caliber.</td>
</tr>
<tr>
<td>25,24</td>
<td>Provide challenging and rewarding opportunity to every employee so that each will achieve personal satisfaction from and pride in his work and his company.</td>
</tr>
<tr>
<td>24,246,167</td>
<td>To provide a sound organizational structure which will make the fullest use of the basic skills, knowledge and experiences of our employees.</td>
</tr>
<tr>
<td>43,27,208,140,209,219,46</td>
<td>By providing opportunity for growth and development. . . .</td>
</tr>
<tr>
<td>106</td>
<td>To help each employee to take an interest in what he does, to contribute his best effort and ability toward making the company's operations successful and profitable.</td>
</tr>
<tr>
<td>120,99,95</td>
<td>We provide opportunities for training, study and self improvement.</td>
</tr>
<tr>
<td>212,152</td>
<td>. . . employees of highest ability and good character . . . affording them commensurate opportunity.</td>
</tr>
</tbody>
</table>
Working Conditions: The aspirations of the management to create certain physical and mental situations which affect the performance of employees.

<table>
<thead>
<tr>
<th>Respondent No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>106,25,128,140,206,46</td>
<td>. . . giving the company's organization the best possible tools with which to work. To create and maintain both good and safe working conditions.</td>
</tr>
<tr>
<td>208,95</td>
<td>. . . working conditions must be attractive.</td>
</tr>
<tr>
<td>97,46,27</td>
<td>By providing good working conditions.</td>
</tr>
<tr>
<td>99,219</td>
<td>Hours of work and working conditions should be brought and kept to modern competitive standards.</td>
</tr>
<tr>
<td>118</td>
<td>Provide satisfactory working conditions, to foster harmony throughout the organization. . . . to afford safe, healthful and clean surroundings in which to work consistent with the nature of the operation.</td>
</tr>
<tr>
<td>120</td>
<td>Safe, clean working space in pleasant surroundings.</td>
</tr>
<tr>
<td>152</td>
<td>To maintain those company practices and policies which will effectively insure the safety of our employees . . .</td>
</tr>
<tr>
<td>166</td>
<td>. . . by providing our employees . . . with working conditions equal to or better than those of competing companies.</td>
</tr>
<tr>
<td>206</td>
<td>We believe that the health and safety of employees should receive first consideration in all our activities. We encourage extensive inspection and training to assure safe equipment and working conditions and to promote a high degree of safety</td>
</tr>
</tbody>
</table>
consciousness among employees on and off the job. Through pre-employment examinations and periodical physical check-ups we attempt to discover for the employees any indications of physical weakness in time for him to seek more detailed diagnosis and treatment.

Fringe Benefits: The intentions of the managers to provide compensation to employees which is a cost to the company but is not part of the individual's periodic monetary income.

Provide insurance and pension benefits to assist in relieving the employee's concern for illness of himself or his family during his employment and enjoyment of life after retirement.

To participate in a benefit program that compares favorable with good community practice.

. . . we believe the company should attempt to minimize the risks in life which carry beyond our employee's financial ability to handle. We feel that the company's assistance in the field of benefits should supplement, not supplant the employee's primary responsibility. Our individual plans, therefore tend either to provide partial coverage or include provision for co-insurance. We strive to provide a well-balanced, financially sound program of employee benefits which is among the best in industry.
Recognition: The position which management takes on giving acknowledgment to the contributions of employees by their performance.

Examples of Differing Words and Phrases

<table>
<thead>
<tr>
<th>No.</th>
<th>Example</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Praise may be public. Criticism of subordinates, however, should be offered constructively and privately.</td>
</tr>
<tr>
<td>72</td>
<td>Provide recognition . . .</td>
</tr>
<tr>
<td>120</td>
<td>We accomplish this (maximum degree of satisfaction) by recognition.</td>
</tr>
<tr>
<td>212,208</td>
<td>. . . that their (the employees) individual services are effective and recognized by management.</td>
</tr>
</tbody>
</table>

Communication: The position of the management on the transmission of information between management and operatives.

Examples of Differing Words and Phrases

<table>
<thead>
<tr>
<th>No.</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>206,25</td>
<td>Through the operation of orderly plans which encourage frank and friendly discussion between management and the organization at large, understanding and confidence have been and will be established.</td>
</tr>
<tr>
<td>106</td>
<td>To keep employees informed about changes in company affairs which affect them.</td>
</tr>
<tr>
<td>106</td>
<td>To encourage employees to express their views on company policies and practices.</td>
</tr>
<tr>
<td>106</td>
<td>To provide prompt and fair hearings to employees' attitudes.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>118</td>
<td>To recognize the right of and afford the opportunity to, every employee to be heard and to have just consideration given matters affecting him.</td>
</tr>
<tr>
<td>118</td>
<td>To eliminate where possible the reason for grievances, but in any event to exert genuine effort to settle differences at the lowest level possible and at the earliest stage of their development.</td>
</tr>
<tr>
<td>120</td>
<td>Effective two-way communication between management and employees.</td>
</tr>
<tr>
<td>128</td>
<td>To improve relations with employees and their representatives to accomplish better understanding.</td>
</tr>
<tr>
<td>140</td>
<td>To be informed about the progress of the company and whenever practical, to have advance knowledge of changes that would affect his job.</td>
</tr>
<tr>
<td>140</td>
<td>To have clearly defined and accepted channels for the consideration of his complaints or suggestions.</td>
</tr>
<tr>
<td>99</td>
<td>Employee problems are to be handled in an equitable and expeditious way by and with an employee's immediate superiors. Problems that cannot be handled satisfactorily in this way may be brought to personnel departments and to higher levels of management.</td>
</tr>
<tr>
<td>99</td>
<td>Where certified collective bargaining agents exist, employee problems will be handled in accordance with procedures set forth in the applicable collective bargaining agreements.</td>
</tr>
</tbody>
</table>
THE COLLATERAL SERVICE OBJECTIVES, OWNERS

Profit: The idea expressed in the document on earnings obtained from business operations and relations with a source of capital.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Example of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>_____ will provide a return upon stockholders investment at least as great as that earned by other leading growth companies outside as well as within the pharmaceutical industry.</td>
</tr>
<tr>
<td>24</td>
<td>. . . the ultimate gauge of profitability will be the rate of return on invested capital. A standard shall be established for each operation . . . depending on the nature of the particular business at a particular point in its own pattern of growth.</td>
</tr>
<tr>
<td>212</td>
<td>We believe the opportunity to earn profits is the essential incentive to economic progress; that the ability to earn profits as a means of maintaining a sound financial structure, compensating stockholders for the use of their savings, and providing funds for growth to satisfy consumer demands, is the ultimate test of the real worth of a business to the people it serves.</td>
</tr>
<tr>
<td>25</td>
<td>While a profit must be made if industry is to exist, it must come from production; it has no other possible source.</td>
</tr>
<tr>
<td>27</td>
<td>To earn sufficient profit on the capital employed in the enterprise to provide for continuing growth and for the payment of regular and adequate dividends to stockholders as compensation for their investment.</td>
</tr>
</tbody>
</table>
Example of Differing Words and Phrases

46
Make a profit.

61
We must be continually aware that the blind pursuit of high profits can become socially, politically and economically dangerous if undertaken without due regard for our other objectives here stated. We should continually seek to improve our profit position.

72
Provide a satisfactory return on our stockholders investment.

72
Achieve proper balance of products and programs to ensure continued profitable in the event of major changes in the national security policy such as arms control or limitation, or of protracted physical conflict.

118,97,95
[The] return to our stockholders must come from profits and such profits must be adequate to continue to attract investors.

99
Growth in competitively justified earnings will be viewed as of greater importance than growth in sales.

99
The minimum acceptable rate of sales growth is that which will reflect a slowly rising proportion of gross national product. Earnings growth should, at the least, attain a rate reasonably above the minimum desired rate of sales growth.

99
Our earnings objective is to achieve a rate of return on sales, invested capital and net worth that is best among substantial competitors and a rate of earnings growth that is superior to the rate achieved by any substantial competitor.
Example of Differing Words and Phrases

To shareowners and lenders, we owe both the protection and the improvement of the soundness of their financial commitments in _____. We recognize our obligation to earn good competitive rates of returns on the capital entrusted to our management.

We will seek a return of 15 per cent after taxes on all investments made and/or as profit (before profit sharing) 30 per cent of gross earnings on product or product level. Operating costs will be determined and kept current, and we will attempt to have each product line contribute its full share of profit.

To make an annual return on our sales and our invested capital as good or better than any other company in the industry.

... to recognize the obligation to our stockholders to provide an adequate return on their investment. The capital which they have furnished has created our jobs and provided our opportunities. They have entrusted their property to our management and we must justify their confidence. As we continue to grow, it will be necessary to attract additional investors. We can hope to do so only if we have demonstrated that we have conducted our operations to produce an adequate profit and have exploited opportunities for profitable investment.

To provide shareowners with an optimum continuing return on their investments.
<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Example of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>152</td>
<td>To strive, on a long-term basis, to improve the investment advantage of ____ shareholders and to attract purchasers of ____ shares.</td>
</tr>
<tr>
<td>166</td>
<td>To maintain financial policies that will earn our shareholders a fair return on their investment and provide the money that is needed to plow back for further growth.</td>
</tr>
<tr>
<td>209</td>
<td>It is the objective of the company to achieve optimum return on funds invested in the business. We recognize that optimization of profits requires vision, planning, vigorous merchandising, effective use of professional and management skills, careful control of costs, and the dedicated efforts of capable and conscientious employees.</td>
</tr>
<tr>
<td>212</td>
<td>We believe the opportunity to earn profits is the essential incentive to economic programs; that the ability to earn profits as a means of maintaining a sound financial structure, compensating stockholders for the use of their savings, and providing funds for growth to satisfy consumer demands, is the ultimate test of the real worth of a business to the people it serves.</td>
</tr>
<tr>
<td>212</td>
<td>We believe that stockholders, as the people who make our business possible through the investment of their savings, are entitled to a return at least equal to the return they might receive from other investments entailing similar risks.</td>
</tr>
</tbody>
</table>
The many thousands of people who have invested their savings in stock and who are the owners of our company have done so in the hope that their money will be safe through the years, that the company will grow, and that they will have a return on their investment.

Dividends: The ideas expressed in the documents on rewarding investors for the use of their funds.

To earn sufficient profits to pay fair returns to our shareholders and to maintain a strong financial position.

To pay the shareholders a fair share of earnings, giving due recognition to the need for the judicious reinvestment of sufficient portion to assure the stability and vigorous growth of the enterprise.

It shall be the consistent policy of to pay an adequate dividend to shareholders . . .

. . . the payment of regular and adequate dividends to stockholders as compensation for their investments.

. . . compensate fairly those whose savings are invested in the business.

We have an obligation to provide our stockholders an adequate return on their investment . . .
### Use of Capital: The ideas expressed in the documents on the use and protection of funds in the enterprise.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Example of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>. . . to reinvest in the company all retained net earnings. Where retained net earnings are not adequate to finance new ventures, the company may borrow the required funds.</td>
</tr>
<tr>
<td>25</td>
<td>Wages like profit, must come from production; they cannot be taken from working capital which is represented by property, plant and equipment.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

61  to make the most effective use of the company's assets and to assure the future existence and health of the company.

72  achieve both short and long term optimum utilization of our resources such as to provide net earnings after taxes which are sufficient to; provide a satisfactory return on our stockholders investment, finance an acceptable growth rate, provide long term stability.

99  Adequate, but not excessive, deposit balances are to be maintained to compensate banks for services rendered, and to keep sufficient lines of bank credit open to meet such short-term borrowing needs as the company might have.

99  The Company's assets must be amply protected at all times, protective measures will include, but not be limited to, adequate insurance of the needed types in the right amounts, including justified self-insurance; the periodic taking of physical inventories; sprinkler systems, fire walls and other structural protective measures; and examination of accounts, assets and procedures by both internal and outside auditors. Independent Public Accountants will regularly review the methods and procedures and check on the auditing results of the internal auditing staff.

99  Credit extensions are to be administered in accordance with sound credit procedures. Credit administration will take into account the strengthening of the Company's competitive marketing position, the protection of
Examples of Differing Words and Phrases

working capital employed in accounts receivable and the balance of profit advantage to the Company.

99

Term credits to dealers, distributors, and occasional other customers should be limited to those made necessary for competitive reasons. They should be extended only in accordance with sound credit principles, and should result in increasing the Company's influence with its distribution.

99

Operations of the Company will be controlled through an adequate budget system, including a system of standard manufacturing costs. The budget system is to cover all necessary elements and breakdowns of sales, sales deductions, standard and actual costs and other expenses. Management is to be fully accountable for performance within budgeted limits.

99

In addition to detailed one-year budgets for control of current operations all major components of the business will have less detailed, but realistic, projected budgets for four additional years. This is in order that sound planning can be done, including planning relating to organization, personnel, marketing, additional facilities and requirements of fixed and working capital.

99

The Company will conduct its financial affairs in accordance with sound and conservative principles. Accounting methods and practices will be directed to reflect soundly conservative portrayals of results of operations, and statements of financial condition.
In principle, will follow the practice of financing from internal cash sources. Borrowing, within conservative limits, will be done when this is clearly for the best long run interest and profitability of the Company.

Selection of manufacturing, marketing and technical projects for investment is to be based on standards of returns that will result in substantially increasing the rate of profitability on sales, invested capital and net worth. While all reasonable capital proposals will be considered, past records of divisions in achieving forecasted returns on investment projects will be given consideration and weight in the allocation of capital resources.

Projects preferred for new investment are those that involve long-range profitable expansions of the Company's existing businesses and markets, and those promising ones that arise from superior research and development.

Acquisitions will be considered that are clearly in the Company's best long-range interest. Acquisitions should generally be financed by means that, in the long run, will not dilute, but will rather improve, earnings per share of stock.

To provide for unforeseen cash needs, and to enable the Company to take advantage of unknown opportunities that may arise, it will be our practice to carry reasonable cash balances. Surplus cash is to be fully invested in safe, liquid, short-term securities.
<table>
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<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
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<tbody>
<tr>
<td>106</td>
<td>We will finance our growth by supplementing internally generated funds with borrowed money. We will scrupulously avoid over-extending our credit resources.</td>
</tr>
<tr>
<td>106</td>
<td>We will attempt at all times to engage our talents and the capital entrusted to us in the pursuit of matters of substance and not dissipate them in inconsequential occupations.</td>
</tr>
<tr>
<td>208</td>
<td>The management of _____ is responsible to the Company's shareholders and must strive to employ wisely the resources entrusted to it, to increase their value, and to earn a profit from their investment.</td>
</tr>
<tr>
<td>206</td>
<td>We believe that a strong financial position is fundamental to our continued success. Our financial affairs are conducted in such a manner as to assure continuation of the company as a sound and efficient unit of the economy, thereby affording maximum service to the interests of the public, the stockholders and the employees. We believe that wide ownership of our stock is in the best interests of everyone concerned.</td>
</tr>
<tr>
<td>209</td>
<td>In order to attain our objectives, we will make maximum use . . . of all . . . available resources.</td>
</tr>
</tbody>
</table>
Information: The ideas expressed in the documents on divulging knowledge of financial operations to interested persons.

Respondent No. Examples of Differing Words and Phrases

99 It is an objective of our company to establish and maintain good shareowner relationships, and to deserve, through merit their continued confidence and support.

128 To keep current and prospective shareholders and the financial community fully informed on the progress at ______.

208 . . . management has an obligation to inform shareholders fully and promptly, answer their questions, and study carefully their suggestions and criticisms.

THE COLLATERAL SERVICE OBJECTIVES, GROUPS

Suppliers or Dealers: The ideas expressed in the documents regarding the relationship which the company's desire to maintain with those who provide goods and service for the productive process and those who act as distributors of the company's output.

Respondent No. Examples of Differing Words and Phrases

24 To conduct its relationships with suppliers honestly and fairly and to expect from them maximum value in goods and services. Suppliers of goods and services are an adjunct to or extension of company production and service facilities and are, therefore, important to our successes.
Examples of Differing Words and Phrases

27 To be ethical in all dealings with suppliers and potential suppliers and in the placement of orders, to select those sources that provide the best value to the company, taking into account price, quality, reliability and service.

99 To suppliers, _______ owes equity in selection and treatment based on competitive prices, quality, and service. Price, quality and service being equal, we will favor suppliers with our trade who, by similar standards, favor us with their trade. On no other bases than these is preference in supplier selection to be shown.

106 We will make every effort to be completely self-sufficient in any continuing activity in which we engage. Sub-contracting may be used to assist in getting a new activity started, but it should cease when complete integration into our own operations is indicated to be more profitable than continuing on a sub-contract basis.

128 To maintain relationships with our suppliers based on fair dealing directed toward obtaining dependable service and quality at competitive cost.

166 To deal fairly with jobbers, distributors, dealers, royalty owners, suppliers and others with whom the Company does business.

206 We respect the autonomy of the independent dealers who sell our products, but we expect them to maintain our high standards of quality and integrity. We believe that our customers should be treated fairly,
429

Respondent No.____ Examples of Differing Words and Phrases

promptly and courteously at all times, including those occasions when they have complaints.

209 Plan and conduct the company's activities with such imagination energy and skill that . . . distributors, and jobbers have opportunity for growth and profit.

Organized Labor: The ideas expressed in the documents on the recognition which the company intends to give to organizations which represent employee interests.

Respondent No.____ Examples of Differing Words and Phrases

99 Fair equitable, human and business-like administration of employee relations policies is a prime responsibility of every ______ management man. Such fair and equitable administration is to be continuous and uniform to the end that ______ employees will not feel the need for third parties to represent their interests to management.

99 Where certified collective bargaining agents do represent ______ employees, they will be dealt with in a fair, firm and friendly manner. The provisions of collective bargaining agreements will be carefully observed.
Competitors: The ideas expressed in the documents on how the company intends to treat its economic rivals and the treatment it expects from them.

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<tr>
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<tbody>
<tr>
<td>61</td>
<td>We should continually seek to improve our profit position through hard, clean competition . . .</td>
</tr>
<tr>
<td>149</td>
<td>Consistent with our profit objective, be fully competitive with the best firms in our business in all phases of the company's operations, maintaining high standards of leadership and a reputation for superiority in people, products, research production and marketing.</td>
</tr>
<tr>
<td>166</td>
<td>To compete effectively and fairly with other companies wherever our products and services are sold.</td>
</tr>
<tr>
<td>166</td>
<td>To take part in activities that will lead to better understanding of the petroleum industry and better support for its position.</td>
</tr>
<tr>
<td>206</td>
<td>Although we support the idea of competition, we refuse to engage in competitive practices which lead to price wars, misrepresentation or substandard customer treatment.</td>
</tr>
</tbody>
</table>
THE COLLATERAL SERVICE OBJECTIVES,
CIVIC AND GOVERNMENT UNITS

Taxes: The ideas expressed in the documents relevant to
the payment of levies imposed by government for the
community projects.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Examples of Differing Words and Phrases</th>
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</thead>
</table>
| No. 24     | Only in a business climate free from . . .
             restrictive taxation can our company con-
             tinue to prosper and fulfill its
             responsibility to the community and
             nation. |
| No. 61     | Today higher taxes and the difficulty of
             capital formation are placing a steadily
             increasing emphasis on the need for
             profits. |
| No. 95     | . . . the duty to pay taxes properly
             imposed for lawful purposes. |
| No. 99     | Believing that excessive and burdensome
             taxation lessens incentives and consti-
             tutes a drag on progress and economic
             growth, we shall at all times in all proper
             ways seek to limit taxation to the level
             of minimum governmental needs, and to
             lessen its burden on the company, on
             individuals and on our national economy. |
| No. 206    | We try to earn public confidence by . . .
             paying our fair share of taxes. |
| No. 206    | Taxes must be levied, of course, to support
             the necessary functions of government. It
             is our duty individually as citizens, how-
             ever, to help prevent and correct tax
             abuses. We believe taxes should be fair
             and uniform in application, never oppres-
             sive, punitive, or discriminatory. Govern-
             ment should not use taxes to subsidize |
competition or otherwise injure legitimate private enterprises which pay the taxes. We feel that our nation's tax structure should be designed to encourage rather than limit economic development. The growth of the entire economy, as well as private enterprise, suffers when excessive income taxes penalize initiative or when excessive excise taxes restrict trade.

Laws: The ideas expressed in the documents on the formal constraints imposed by government upon business behavior.

24 Only in a business climate free from excessive government regulations can our company continue to prosper and fulfill its responsibility to the community and the nation.

72 To manage our affairs in accordance with the terms of our Certificate of Incorporation, the law of the land . . .

95 . . . a respect for welfare and safety, an obligation to obey reasonable licensing and regulations . . .

99 The observance of all laws governing the business is of utmost importance to the Company's success and is in its best long-run interest. The Company and its employees are to observe and comply with all laws applicable to the business . . .

149 . . . adhering to the spirit and the letter of all applicable law and regulations.
Respondent No.  Examples of Differing Words and Phrases

152 To keep informed on legislature and other trends in government.

166 To comply with the laws and customs of all areas, domestic and foreign, in which the company operates.

206 We believe that confidence in the ability and integrity of our management is essential to assure the efficient and effective conduct of our business. This confidence is earned through ... managements efforts to comply with all applicable laws.

Employee Participation: The ideas expressed in the documents on the extent to which the company supports employees involvement in civic and government affairs.

Respondent No.  Examples of Differing Words and Phrases

24 _____ believes that the company and each of its employees have a responsibility to the communities where they work and live. ... to help those less fortunate than themselves and to assist worthy civic activities. ... personal as well as financial support is necessary. ... such activities to take place during non-business hours. However ... _____ will permit a reasonable amount of absence subject to approval ... 

25 To encourage such organization activities as will clarify and enlarge the mutual interests of all who are working with the management of the company.
<table>
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<tr>
<th>Respondent No.</th>
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</thead>
<tbody>
<tr>
<td>46</td>
<td>Encourage all _____ men and women to take a working interest in the well-being of their communities and nation.</td>
</tr>
<tr>
<td>95</td>
<td>The company pledges its support toward improving the American way and is committed to using its influence and resources toward this end.</td>
</tr>
<tr>
<td>118,97</td>
<td>To encourage all employees to fulfill their obligations as private citizens working constantly toward the betterment of their communities and the nation.</td>
</tr>
<tr>
<td>99</td>
<td>We encourage participation of employees in political activities with recognized political parties and provision for their public offices when they so choose.</td>
</tr>
<tr>
<td>99</td>
<td>It is our desire that employees in the communities in which we operate, participate fully and constructively in community activities to degrees compatible with the effective and timely discharge of Company responsibilities.</td>
</tr>
<tr>
<td>120</td>
<td>. . . and encouraging our people to take an active part in community affairs.</td>
</tr>
<tr>
<td>152</td>
<td>To encourage and stimulate employees, on a non-partison basis, to take an active part in political and governmental affairs.</td>
</tr>
<tr>
<td>208</td>
<td>We encourage and support employees in performing their duties as citizens by fulfilling such civic obligations as being an informed voter in public elections, and serving as a juror or witness when summoned, and by taking an active interest in civic and governmental affairs.</td>
</tr>
</tbody>
</table>
Respondent No.

Examples of Differing Words and Phrases

212 We believe in being a good neighbor by doing our proportionate share, on the basis of ability, in whatever is good for the communities where we do business and by refraining from doing anything that is harmful or detrimental in those communities.

Responsible Citizenship: The ideas expressed in the documents on meeting the generally accepted semi-voluntary obligations which members of a free society must decide upon.

Respondent No.

Examples of Differing Words and Phrases

24 To take its place as a good citizen in the community . . . _____ urges each of its eligible employees to vote. _____ encourages its employees to keep informed of political issues and candidates so that as citizens they can make their votes effective. _____ urges its employees to participate in politics on a voluntary basis at the local level. The company further hopes that employees will back candidates for office who believes in and support the system of free enterprise.

25 To encourage real Americanism and a live spirit of patriotism, within and without our organization.

25 To in every possible way encourage good living conditions. _____ believes that good living conditions in both home and community are essential to the highest individual efficiency, and that happiness, which every human being craves, cannot be attained without them.
Examples of Differing Words and Phrases

46
That these obligations and responsibilities call for a high order of good citizenship as well as competence in business.

72
To manage our affairs in accordance with . . . our civic and community obligation.

95
This faith carries certain recognized responsibilities as a corporate citizen.

97
To meet the System's responsibilities as a corporate citizen and a good neighbor, by maintaining an active interest in the economic, social and political trends affecting our operations, as a vital aspect of efficiently serving our customers and fostering the growth and developments of the communities in which we operate.

99
To government, federal, state and local _____ owes the duties of good corporate citizenship.

120
. . . to play our part in furthering the program of the communities in which our facilities are located.

126
That it is management's duty to be alert to its own shortcomings, to the need for improvement and to new requirements of society while always recognizing the responsibility of its trusteeship.

128
To promote and maintain the good will of thought leaders people in government, customers, the business and financial community, our employees plant communities and the general public by execution of activities that will make _____ better
<table>
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<tr>
<th>Respondent No.</th>
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</thead>
<tbody>
<tr>
<td>152</td>
<td>known as a progressive and efficient corporation of integrity high character and social responsibilities. To be a good neighbor in all it implies, and a substantial contributor to the general welfare of society.</td>
</tr>
<tr>
<td>152</td>
<td>To work vigorously to obtain and to support good government at all levels — federal, state and local.</td>
</tr>
<tr>
<td>208</td>
<td>An overriding responsibility of _____ and its affiliates is to conduct their business as corporate citizens. Unless they deserve and enjoy the confidence of the people and governments in areas where they operate, they cannot serve the best interests of their shareholders.</td>
</tr>
<tr>
<td>206</td>
<td>We strive to fulfill our responsibilities as a corporate citizen especially in the communities states and nations where we do business.</td>
</tr>
<tr>
<td>212</td>
<td>We believe in America as a land able under God to enrich its people, with materially, spiritually, even more abundantly in the future than it has in the past.</td>
</tr>
<tr>
<td>212</td>
<td>We believe that in wartime the military forces must have prior claim upon our services and products and that our fullest resources must be dedicated to the common defense at such times.</td>
</tr>
</tbody>
</table>
| 246           | To assume and fulfill the responsibilities of good corporate citizenship at all times to work actively for the betterment of the industry and of the nation, and to make its
Examples of Differing Words and Phrases

objectives and policies known and understood by the public and other interested and affected groups.

As a company, we take no position in election of candidates to partisan or non-partisan office. But we are concerned with all other government and political affairs. In these, we believe the Company has a responsibility to speak up as the occasion demands to safeguard its interests.

Contributions: The ideas expressed in the documents on the provision of company resources to support altruistic and civic efforts and organizations.

Examples of Differing Words and Phrases

The company will continue to budget company funds for sustained support of worthwhile civic and charitable activities in localities where the company has operating installations.

To the communities in which we operate and to the public at large, _____ has the obligation to be a good constructive neighbor. To this end, within our means and in accordance with local area standards, we pledge support of non-sectarian charities, and of education. Selection of those activities and institutions to receive _____ support will be leased on such criteria as the evaluation of needs, the immediate and potential benefit to _____ and its employees and the degree to which the broad public interest is promoted.
**Examples of Differing Words and Phrases**

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</thead>
<tbody>
<tr>
<td>118</td>
<td>To lend our best efforts to improve and assist the communities in which our operations are located.</td>
</tr>
<tr>
<td>120</td>
<td>. . . contributing our part to worthy community philanthropies.</td>
</tr>
<tr>
<td>206</td>
<td>We try to earn public confidence by . . . advancing human knowledge through our scientific research and financial aid to education.</td>
</tr>
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</table>

**THE COLLATERAL SERVICE OBJECTIVES, ORGANIZED SOCIETY**

**General Public:** The ideas in the documents relating to the relationship which the company wants to establish in the general citizenry.

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<tbody>
<tr>
<td>25</td>
<td>To do everything possible and practicable in the creating and maintaining of a working partnership between industry and the community.</td>
</tr>
<tr>
<td>25</td>
<td>believes that, individually and collectively, we are the product of the environment in which we live and work. It believes that clear, orderly approaches and mill yards help us walk straighter, think clearer and feel finer than do uncared for premises, and that a good environment is the foundation of the home.</td>
</tr>
<tr>
<td>25</td>
<td>That industry should . . . not only keep its own house in order, but should support every sound constructive agency established</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

in the community, in an effort to make
civic conditions respond to the highest
needs of its citizens. In all these things
______ has said to the communities in which
its plants are located: "You do your best
to make civic condition respond to the
highest needs of your citizenship and sup­
port every proper thing that will make for
civic and industrial stability and progress
and we will work with you sympathetically
and helpfully."

That rights and obligations are insepar­
able. That the great opportunities which
are ours carry with them great
responsibilities.

To so conduct our affairs that we shall
always merit the confidence and trust of
the public . . .

We believe that to continue to merit the
acceptance of the public our advertising
must be truthful, informative and helpful,
and all of our communications and contacts
with the public must be straightforward and
honest.

As a company, we will express our views, as
we deem desirable, in governmental pro­
grams and actions, and on legislation,
whenever our interests and the broad public
interest are likely to be thereby affected.

To keep the public and all groups with whom
we come in contact informed on how the
company is meeting its responsibilities and
to provide the facts in all matters of
public concern.
We believe the attitudes of many groups and of the general public toward our business and the oil industry are important to our future; that their attitudes in the main reflect their knowledge or lack of knowledge of what we do and why. Consequently, it is prudent that we explain our business and account for our stewardship in order that people may hold informal opinions and reach wise decisions with respect to public policy as it affects our company and industry.

Economic and Political System: The ideas expressed in the documents pertaining to the nature of the economy and government.

It believes further that in order for the free enterprise system to continue to work most effectively, a political climate sympathetic to the problems of business must exist at the local, state and national level.

The profit motive and free enterprise have brought to the United States the highest standard of living ever known. Without profits a company has no opportunity to fulfill any of its other obligations, nor can it long survive.

______ has an abiding faith in the American free enterprise system as representing the best economic system yet devised, offering maximum opportunities and security with the greatest measure of freedom. Having prospered under this system in the past,
Examples of Differing Words and Phrases

our belief is that only under it can our country and the company continue to prosper in the future.

We believe in the American system of competitive enterprise and we shall do all proper things within our power to promote and protect it from evils from within and from encroachments from without.

We believe that both community and company progress fostered by the development and maintenance of good community economic climates and shall, as a company, and through our employees support those steps and measure that are most likely to promote good economic climates.

To strive for governmental policies which encourage economic growth consistent with free enterprise and the preservation of individual liberties.

To foster a better understanding by our employees, by representatives of government by other thought leaders of critical economic and political issues that affect American industry.

The _____ family is deeply interested in conditions which affect the petroleum industry. Because the industry thrives and serves society more effectively under conditions of free competitive enterprise and private initiative, _____ has a stake in the maintenance of these conditions.

We believe that the Company has a duty as a corporate citizen to promote among employees an awareness of the freedoms which form the foundation of our American system and
to encourage individual acceptance of the responsibilities necessary to preserve these freedoms. Alerting employees to subversive movements such as Communism, that use force or deceit to destroy our freedoms deserves special attention. Our company's goal in this regard is to unite us in defense of our American freedoms and uphold individual liberties rather than divide us or infringe any personal rights or liberties.

206

We have a genuine interest in the people and the communities we serve, and we try to act in a way which will help people live better, more satisfying lives. We recognize the vital importance of small business in our private enterprise system, and it is our policy to conduct our affairs as to advance the interests of all business - large and small.

212

We believe that the competitive system of free markets is the only effective regulator of economic enterprise, the only guarantor of efficient public service and the indispensable protector not only of economic freedom but of all American freedom and opportunity.

246

We accept the principle that regulations of business in the public interest is a proper function of government. However, we feel that if government regulation is to be in the public interest, it must be soundly conceived and exercised. We believe that the goals to be achieved by regulation should be clearly set forth, and the regulatory rules must be designed to achieve these goals with the greatest efficiency and the least interference with
Examples of Differing Words and Phrases

the activities being regulated. The powers delegated to regulatory agencies should be carefully defined and limited by law.

Ours is primarily a broadly based, free enterprise system. We believe that such a free system, based primarily on private ownership and operation, is preferable to a system which relies more heavily on government ownership and operation, for several reasons. First, we feel that private ownership concept is more likely to assure continued political and individual freedom. We also believe it is more efficient and economical and thus provides a higher standard of living. We believe therefore, that government should not undertake business activities in fields where private enterprise serves or can serve, the public interest.

We believe the underlying goal of our free society is to help the individual lead a life of dignity - a life in which he can develop his capabilities to their utmost. We believe the primary role of government is to safeguard the environment within which the individual can seek his own goals. To preserve the fundamental human rights on which our country was founded, each citizen should be fully aware of what these rights are and should vigorously defend them from attack or subversion from any source.

We favor government action at the local or state level, wherever possible, in preference to increasing centralization at the national level because we feel decentralized government is generally closer to the problem of the people and more responsive.
Examples of Differing Words and Phrases

to their will. Economists explain that inflation results from either too much increase in the over-all supply of money (caused by widespread wage increases greater than gains in output, government spending beyond its income, or too much use of bank credit by consumers or business) or too much restriction in the over-all supply of goods (caused by tariffs, import quotas, or not enough competition). Whichever way inflation comes about, the rise in prices causes many economic problems.

Because of the evils of inflation, we feel vigorous steps should be taken to prevent it, including the following:

1. Permit Federal spending to exceed income only during recession or war; require repayment of Federal debts during prosperity.

2. Support controls on bank credit by the independently run Federal Reserve System.

3. Oppose general wage increase which claim too great a share of any increase in output.

4. Minimize barriers to international trade and thereby encourage greater domestic efficiency and output.

5. Encourage investment of funds in domestic industry to permit adequate construction of efficient producing capacity.

We believe that, fundamentally, government spending should be limited to providing those necessary services which private enterprise cannot supply better and more efficiently.

We feel that voters should be encouraged to elect representatives who will wisely determine what the public interest requires government to do and what unnecessary
activities of government may be eliminated. Government officials should be encouraged by the citizens to see that public funds are always spent economically.

212 We believe in America as a land able under God to enrich its people, both materially and spiritually, even more abundantly in the future than it has in the past.

212 We believe that the competitive system of free markets is the only effective regulator of economic enterprise, the only guarantor of efficient public service, and the indispensable protector not only of economic freedom but of all American freedom and opportunity.

Global Outlook: The ideas expressed in the documents as to whether the company sees itself as a world citizen rather than limited to U.S. boundaries.

Respondent No. Examples of Differing Words and Phrases

1 . . . throughout the world.

24 . . . to be leaders . . . on an international scale. We believe that expanding international trade and investment are essential to maintaining the income, wealth, and national security of the American people as well as the welfare of our Free World allies. To this end, we feel that: (1) Support should be given to soundly conceived international economic programs which promote worldwide trade and investment. (2) Since trade is a "two-way" street, imports must rise along with exports.
Examples of Differing Words and Phrases

(3) Barriers set by tariffs and import quotas should be minimized, consistent with considerations of national security.

Natural Resource Conservation: The ideas expressed in the documents on the company's position in the use of raw materials taken from nature.

Examples of Differing Words and Phrases

128 To protect and improve the corporation's raw material reserves position for present and future needs, with due consideration to our growth potential and our financial and competitive position.

166 To contribute to the economic well-being and natural defense of the United States by constantly striving to increase the available energy resources at home and abroad, and by observing the best conservation practices.

212 We believe in practicing economical use of natural resources to obtain the greatest possible benefit with the least possible waste.

246 In utilization of its resource, the Company has taken into account and has sought to improve general knowledge of the growth and renewable characteristics of timber. Thus the land and timber resource has been to the point where timber harvested each year is equalled or exceeded by the growth of existing and new trees upon company lands. Thus the company by its practices has served not only its own interest but has
<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>212</td>
<td>been responsive to the interest of the entire economic and social structure . . .</td>
</tr>
<tr>
<td></td>
<td>We believe in practicing economical use of natural resources to obtain the greatest possible benefit with the least possible waste.</td>
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</table>
### III. SECONDARY SERVICE OBJECTIVES

Economy and Effectiveness: The ideas expressed in the documents on performing company operations in such a way as to achieve objectives with optimum costs performance.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>. . . effectively serving the needs and wants of present and future customers . . .</td>
</tr>
<tr>
<td>24</td>
<td>. . . efficiently purchased, stored, transported, and processed . . . and professionally marketed.</td>
</tr>
<tr>
<td>46</td>
<td>Operate with maximum efficiency looking toward the lowest possible costs and prices.</td>
</tr>
<tr>
<td>99</td>
<td>_____ strongly subscribes to the principle that the best insurance of competitive aggressiveness and success comes from being the lowest unit cost producer and marketer in each of our worthwhile fields of operation.</td>
</tr>
<tr>
<td>99</td>
<td>Capable people, receiving good pay, utilizing modern facilities, exercising careful economy in the use of proper materials, and employing the best methods and procedures are the means of achieving the lowest unit cost position that is our best insurance of superior competitive ability.</td>
</tr>
<tr>
<td>118</td>
<td>To continually improve our methods and our facilities so that our costs will be as low or lower . . . as our competitors.</td>
</tr>
<tr>
<td>126</td>
<td>That we should strive to develop the efficiency of industry so as to earn a fair return for the investing public and provide</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

the highest possible reward for the productivity of labor.

128 To operate our manufacturing plants efficiently and safely, keep them in a satisfactory condition maintenance and to take aggressive action at all times to improve facilities and fully utilize available technology in the improvement of practices, quality and processes in the interest of decreased cost.

212 We believe that the interests of customers, employees, and stockholders alike dictate that we conduct all operations with the highest degree of efficiency, seeking constantly through training and the modernization of plants and equipment to reduce the cost of carrying out the functions in which we are engaged.

246 To maintain and manage forest lands so as to yield a sustained timber crop of maximum economic value.
IV. PERSONNEL

Caliber of Performance: Indications as to the level of the quality of work which management desires.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>24,25,208,206,61,1</td>
<td>______ will make every effort to develop and maintain a loyal, efficient, aggressive organization composed of employees who believe in their company, to whom work is satisfying and to whom extraordinary accomplishment is personal ambition. We expect each employee to achieve the highest level of performance and attainment on his job, commensurate with his ability.</td>
</tr>
<tr>
<td>25,27</td>
<td>Never to be satisfied with anything less than the best results possible of attainment in each and every problem to be solved.</td>
</tr>
<tr>
<td>27,212</td>
<td>To maintain a highly productive, energetic and loyal organization of men and women. . . . The basis for this confidence [of the future] . . . lies in the quality of people in our organization.</td>
</tr>
<tr>
<td>99,152,95</td>
<td>______ believes that the superior results we require can only be achieved by and through people of superior capacity, motivation and judgment. Employee relations policies are directed toward the careful selection, training, rewarding, promoting and retaining of such superior people. ______ expects of employees superior job performance, teamplay, constructive attitudes and discipline.</td>
</tr>
<tr>
<td>106,149,128</td>
<td>We will employ in our operations the highest caliber talents . . . consistent with the competence demanded by the activities in which we engage.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
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<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>118,167</td>
<td>To endeavor constantly to improve the caliber of our personnel at all levels of our operations with the objective of having the best team in the field. Without attaining this goal most of the others can never be reached. With it, they are all possible.</td>
</tr>
<tr>
<td>209,219</td>
<td>In order to attain our objective we will make maximum use of the experience and abilities of all our people . . .</td>
</tr>
</tbody>
</table>

Individual Dignity: Recognition of the concept of the importance of each person as a unique being with special needs, capacities and feelings of self importance.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
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<tbody>
<tr>
<td>24</td>
<td>Employ competent, creative, intelligent employees who have a desire to accept responsibility and can adapt to their environment without diminishing their individual contribution. Individual effort and successful individual accomplishment are most important elements to _____ success.</td>
</tr>
<tr>
<td>25</td>
<td>It is _____'s aim to secure a clear understanding of the individual and group attitudes . . . as will result in the creation and establishment of a spirit of constructive responsibility where irresponsibility, antagonism, suspicion and distrust might otherwise exist.</td>
</tr>
<tr>
<td>27,140</td>
<td>To respect the dignity and inherent rights of the individual human being in all dealings with people.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>209,43</td>
<td>To have a successful growing business there must be . . . mutual respect.</td>
</tr>
<tr>
<td>209,61</td>
<td>. . . a true sense of humanity in their dealings with others.</td>
</tr>
<tr>
<td>99</td>
<td>. . . respects the human dignity of each individual.</td>
</tr>
<tr>
<td>149,118,212</td>
<td>The basic policy is to hold in sincere respect the personality and human dignity of each individual.</td>
</tr>
<tr>
<td>120,152</td>
<td>Our basic precept shall be respect for the rights and dignity of the individual in ______.</td>
</tr>
<tr>
<td>167</td>
<td>Showing the subordinate that his work is important, that he is respected as a responsible member of the organization and as an individual giving him a full hearing on his important problems, plans and ideas.</td>
</tr>
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</table>

Appraisal: The ideas which underlie the practice of reviewing the performance of personnel.

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<tr>
<th>Respondent No.</th>
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</thead>
<tbody>
<tr>
<td>24</td>
<td>Objectively appraise against company standards employee performance and interest and ability for growth as a basis for advancement. These appraisals will be discussed thoroughly.</td>
</tr>
<tr>
<td>208</td>
<td>Employees should be appraised periodically and told how they are getting along.</td>
</tr>
</tbody>
</table>
Respondent No. Examples of Differing Words and Phrases

11 No subordinate should be asked to criticize his superior.

11 Praise may be public. Criticism of subordinates, however, should be offered constructively and privately.

25,99 In dealing with an individual . . . to always give the situation or problem in hand every possible consideration after securing all attainable facts.

106,208 To review the performance of each employee periodically and to let him know how he is doing.

167,140 . . . to know what is expected of him and what he is doing.

Creativity: The assertions of the management group regarding the free release of ideas by employees and eager implementation of sound ideas.

Respondent No. Examples of Differing Words and Phrases

24,25,126, 106,27 Employ . . . creative . . . employees.

. . . Provide the proper climate . . . by stimulating initiative to suggest . . . and promote improvement . . .

97,128 . . . Constantly developing new and improved techniques and procedures throughout our operation thus enhancing our overall competence.

120,212 Without abandoning any of the practices which have made _____ great, we must realize that exercise of ingenuity and initiative, boldness in innovation, willingness to adopt new ideas and methods,
Examples of Differing Words and Phrases

together with an urgent desire to make the best possible product which can be sold with enthusiasm, are the necessary ingredients for success.

152, 99, 61, 208

... preserving the creativity of each [employee].

246

Expecting the subordinate to not only identify problems but to continually insist he propose solutions to such problems.

Company Reputation: Assertions as to the kind of feeling the management desires that people have toward the company as an employer.

Examples of Differing Words and Phrases

99

We will attempt to deserve from employees the full confidence, constructive attitudes, cooperation and teamplay that are basic elements in the success, growth and progress of the company and in creating inviting career opportunities for employees.

118

... to make _____ a place not only where men and women want to work, but where they will be happy in their work and seek to do their best in the common interest.

152

... to stand pre-eminent in the eyes of all people of all nations as a desirable company for which to work.

72

Improve our company image through substantial accomplishment; specifically designed to attract employees ...
<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
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</thead>
<tbody>
<tr>
<td>120</td>
<td>We desire each community in which we have a plant or laboratory to be a place in which our employees are proud and happy to live and work.</td>
</tr>
<tr>
<td>206</td>
<td>We believe that confidence in the ability and integrity of our management is essential to assure the efficient and effective conduct of our business. This confidence is earned through management's support of sound considerate employee relations policies . . .</td>
</tr>
</tbody>
</table>

Placement: Ideas of management concerning the matching of persons to jobs.

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<thead>
<tr>
<th>Respondent No.</th>
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</thead>
<tbody>
<tr>
<td>11</td>
<td>A person works best and accomplishes most when he is given a definite job to be completed in a given time, the work being of a nature for which he is mentally and physically suited and of sufficient difficulty of performance to demand the best that is within him.</td>
</tr>
<tr>
<td>128</td>
<td>We accomplish this [maximum degree of satisfaction] on the part of employees in their assigned tasks . . . by effective utilization of their abilities . . .</td>
</tr>
<tr>
<td>152</td>
<td>. . . to place them [the employees] in positions which will utilize their talents to the best advantage.</td>
</tr>
</tbody>
</table>
Selection: The concepts underlying the choosing of people to join the organization.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>106</td>
<td>To select carefully new employees who are well qualified for the work to be done and who have a helpful attitude.</td>
</tr>
<tr>
<td>118</td>
<td>. . . the objective of having the best team in the field. . . . can only be done by employing the most careful methods of selection . . .</td>
</tr>
<tr>
<td>208</td>
<td>This can be accomplished only by the exercise of extreme care in the selection of new employees; and by this is meant every new employee, because from the employees selected today should come the executives of the future. Personnel requirements should be predicted and definite programs set up to obtain new employees.</td>
</tr>
<tr>
<td>206,118</td>
<td>. . . a policy of non-discrimination . . . merit and experience alone should govern and all should have equal opportunity . . . to select the best individual available for each job . . .</td>
</tr>
<tr>
<td>208,128</td>
<td>. . . to recruit the best qualified personnel . . .</td>
</tr>
<tr>
<td>206,27</td>
<td>. . . by selecting capable employees</td>
</tr>
<tr>
<td>152</td>
<td>. . . to select employees of highest ability and good character.</td>
</tr>
<tr>
<td>152</td>
<td>To maintain an anti-nepotism policy in employment practices.</td>
</tr>
</tbody>
</table>
Balance of Interests: The assertion that it is necessary for wise decisions to find the point where the interests of all groups are adequately served.

Examples of Differing Words and Phrases

24,27 Efforts to obtain these objectives take into consideration the considerable interest which the employees, the customers, the suppliers, and the community each has in the company enterprise as a whole.

25 In all decisions affecting the conduct of the business, to always consider what is right and best for the business as a whole rather than what may be expedient in dealing with a single situation. . . . To encourage such . . . activities as will clarify and enlarge the mutual interests of all who are working with the management of the company.

43 . . . there must be good relationship with employees, stockholders, customers, suppliers, and the public.

46 By doing these things well and in balance each with others ______ will serve the best interests of, etc. . . .

95 ______ basic philosophy recognizes a three way responsibility to stockholders, the public . . . and our employees. All of our policies . . . spring from this triangular foundation. These are so interrelated no one of them can be considered without also considering the other two.

95 It is our firm belief that the proper discharge of our three-way responsibility demands that we conduct a ceaseless search for improvement. This means constant research for new and better products.
Examples of Differing Words and Phrases

manufacturing methods, marketing and advertising techniques, procedures for improving our management skills, and more efficient means for doing everything that our business involves.

97 By consistently striving toward these goals, by seeking always to do a better job than ever before, the _____ will serve the best interests of the shareowners, employees, and customers. . . . Acting always in the public interest and helping to safeguard this country's way of life.

99 _____ recognizes and attempts to discharge well its obligations to its several publics [etc.].

118 Surely, if we attain these objectives we will win the favor of the four great groups concerned with our business - our stockholders, our employees, our customers, and the general public.

149 Conduct with vigor and aggressiveness a worldwide chemical and drug business so that it may produce a fair profit, with due recognition of the interests of the public, the stockholders, the professions, and the local communities in which we operate.

152 To maintain the most beneficial balance between the importance and well-being of the individual and our responsibilities to customers and shareowners.

208 These primary responsibilities to shareholders require _____ management to assume
<table>
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<th>Respondent No.</th>
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<tbody>
<tr>
<td>460</td>
<td>obligations toward other groups as well . . . customers, employees, government and the public at large.</td>
</tr>
<tr>
<td>208</td>
<td>and its affiliated companies constitute a large enterprise and deal with a basic natural resource. They act for a large number of shareholders, depend upon the loyalty and diligence of employees, and must satisfy the demands of a multitude of customers. It is incumbent on management to discharge its responsibility to each of these groups harmoniously.</td>
</tr>
<tr>
<td>212</td>
<td>. . . balancing the interests of each group (customers, employees, and stockholders) so that all may share fairly, along with the general public, in the benefits to be derived in our business.</td>
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</table>

**Personnel Development:** Central ideas which underlie formal efforts to increase the capacities of employees.

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<tbody>
<tr>
<td>24</td>
<td>Provide the proper climate for development of all employees by stimulating their initiative to suggest, plan, develop and promote improvements in company operations. This employee self-development will be aided by orientation, coaching, training, job rotation, promotion and company assistance to those seeking additional formal education related to their work.</td>
</tr>
<tr>
<td>11</td>
<td>Individual effectiveness is increased through training and development on the job.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

After selection comes continuous training and appraisal. Training should include not only training on how to do the job but also on better methods of supervision and on human relations. Supervisors are expected to train subordinates until capable men are available to fill any supervisory job that may be vacated. One of the most effective training jobs is done by the supervisor coaching his subordinates.

We should also have a definite training program for the development of executives. The many recent developments in management technique have brought business management to the status of a profession which requires a certain amount of specialized training. There is a great tendency for anyone promoted to an executive position to concentrate on the functions with which he is most familiar. For instance, an engineer promoted to a supervisory position may tend to try to run the engineering organization—to the detriment of it as well as other phases of the business. Likewise, someone with legal or production background is likely to concentrate his attention on those phases of the work. Our executive training program must be aimed at developing people who have the capacity to think and reason in terms of the company as a whole and to relate the many different aspects of our business to each other.

It is a fixed _____ policy to provide such training, opportunities as will give the individual substantial aid to his advancement.
Necessary training will be supplied to enable employees to perform their job duties well and within their capabilities, to qualify for promotion.

We will not undertake an activity unless we are prepared to organize properly and thoroughly for competent performance. This requires among other things, a planned program of personnel development.

. . . the objective of having the best team in the field . . . can only be done by employing the most careful methods of training . . .

To assist and encourage each employee to develop to his maximum capacity and to advance in the organization through his individual efforts, and where practicable, to supplement such effort with organized training programs.

. . . through effective development of personnel to improve and strengthen the corporation's management. . . . To . . . develop the best qualified personnel.

Equality of Technical and Administrative Personnel: The assertions which pertain to the idea that the work of the scientist is just as important as the work of the manager.

To provide an opportunity for individuals to achieve eminent stature and high level monetary rewards through the technical or
Examples of Differing Words and Phrases

staff specialists route as well as the administrative route.

In accordance with our thought that employees should be given an opportunity to realize the maximum of their potentialities and achieve the maximum of human satisfaction, we should emphasize career development for all employees. Under this sort of philosophy the technical man will be given opportunities for personal development in his chosen field commensurate with the opportunities for professional managers to develop in their chosen field. The companion to this program must be recognition of the accomplishments and professional eminence of these people.
### V. STANDARDS OF BUSINESS CONDUCT

**Ethics in General:** The assertions in the documents on the general level of right and wrong conduct the company will condone.

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<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
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<tbody>
<tr>
<td>1</td>
<td>____ will maintain its reputation for high integrity and ethics . . .</td>
</tr>
<tr>
<td>212</td>
<td>We believe sound business and moral considerations dictate that we exercise integrity in all dealings with customers, employees, and stockholders balancing the interests of each group so that all may share fairly, along with the general public, in the benefits to be derived from our business.</td>
</tr>
<tr>
<td>24,118</td>
<td>Adherence to high standards of ethical conduct.</td>
</tr>
<tr>
<td>25</td>
<td>To do business guided and governed by the highest standards of conduct and ethics, striving always for that sort of an ending in all things affecting the conduct of the business as would make &quot;reputation&quot; an invaluable and permanent asset.</td>
</tr>
<tr>
<td>27</td>
<td>To maintain high moral and ethical standards and to reflect honesty, integrity, reliability and forthrightness in all relationships.</td>
</tr>
<tr>
<td>27</td>
<td>To reflect the tenets of good taste and common courtesy in all attitudes, words, and deeds.</td>
</tr>
<tr>
<td>46</td>
<td>That both individual and corporate conduct should be governed by the Golden Rule.</td>
</tr>
<tr>
<td>Respondent No.</td>
<td>Examples of Differing Words and Phrases</td>
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<tr>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>61</td>
<td>Judgment will be rendered in the long run by the ethics of our day-to-day conduct and by our adherence to the principles for which we stand.</td>
</tr>
<tr>
<td>99</td>
<td>. . . to conduct operations and affairs of the company in accordance with high ethical standards.</td>
</tr>
<tr>
<td>152</td>
<td>To act on all occasions according to the dictates of ethical principles, unquestionable honesty and complete fairness.</td>
</tr>
<tr>
<td>206</td>
<td>We believe that confidence in the ability and integrity of our management is essential to assure the efficient and effective conduct of our business. This confidence is earned through management maintenance of the highest ethical standards in carrying out of all the affairs of the Company . . .</td>
</tr>
<tr>
<td>209</td>
<td>Always conduct business in an ethical manner . . .</td>
</tr>
<tr>
<td>246</td>
<td>To deal fairly with its customers, employees, shareholders and others, and to maintain in all its affairs the highest ethical standards.</td>
</tr>
</tbody>
</table>
Conflicts of Interests: The ideas expressed in the documents on the degree to which company personnel may have other business relationships with supplier, customer or competitor companies.

Respondent No. Examples of Differing Words and Phrases

24 No employee shall take outside employment with a competitor, supplier or customer of _____ without prior clearance . . .

24 No employee shall purchase, trade or deal in commodities in which the company trades, deals or purchases without prior clearance . . .

24, 25 No director or employee shall have a financial interest in a company or enterprise which is competing with _____ or which _____ does business exceeding $5000 per annum unless such ownership is less than 10% of the equity in such company or enterprise.

99 Employees have a duty to make known to higher management the facts of any conflict of interest situation involving themselves, other employees, the company, and outside relationships of employees and the Company.

126 That management should encourage fair trade practices in business which whether effected by competition or cooperation, will be so shaped as to be for the best interests of our customers and of society as a whole.

128 _____ employees at all levels have a duty to the corporation to be entirely free from the influence of any conflicting interest when they represent the Corporation in negotiations or make recommendations intended to influence the position of the Corporation in such negotiations.
Non-Discrimination: The ideas expressed in the documents as to whether a person, race, color, creed is any basis for preferential treatment.

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<thead>
<tr>
<th>Respondent No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>118,99</td>
<td>Employment and opportunity will not be restricted because of race, color or creed.</td>
</tr>
</tbody>
</table>
VI. EXECUTIVE LEADERSHIP

Requirements of Executive Personnel: The concepts expressing the attributes which are desired of the company's managers.

Respondent No. Examples of Differing Words and Phrases
1

It will generate within its key management a strong profit orientation and a high sense of urgency.

25

To find the man who has the particular characteristics and experience needed in each place to be filled, and then to take the total number of men and develop them into a trained, unified, efficient and loyal "team" who are satisfied with their opportunities and their relations with the company - that is the difficult task of management and the main essential in the success of every industrial undertaking.

25

Even if all of these essentials are fully provided, they will utterly fail unless there is provided some main directing force, an efficient general management. Management must be able to understand men and to secure their cooperation. It must also understand and deal successfully with the laws of economies, of supply and demand, and those emanating from government.

120

The first principle is to provide intelligent, aggressive, capable management. This is the keystone upon which successful operations depend. Effective management requires planning for the future based on analysis of the best available information and judgment in selecting the most suitable courses of action. Executives must provide leadership and guide the efforts of their associates with judgment and understanding.
Managers on all levels must have the competence and courage to make decisions within the limits of the authority delegated to them.

An employee's rights are to have competent supervisors who are fair and concerned for the need of their employees.

The performance of all of the various functions of management, such as those discussed above, with adequacy and precision will not do the whole job. The spirit in which these things are done is likewise important. Some of the attitudes and qualities of mind which we should seek to develop in ourselves and in our people include the following:

1. Aggressiveness: We must be continually on the alert to discover new opportunities and be quick and aggressive in our efforts to capture them once they become apparent. We must avoid complacency and particularly that kind of complacency that insists things must be done as they are because "they have always been done that way" or because "our competitors do them that way." Procedures and practices which have stood the test of time are likely to be the most vulnerable to tomorrow's competition.

2. Adaptability to Change: It has truly been said that there is no pain on earth like the pain of a new idea. This is a pain which we must learn to bear with stoicism.

Some changes we can see in advance and plan for in our operations; others will inevitably catch us unawares. The only thing of which we can be certain is that the changes will continue to occur. An alert management does not resist or bemoan
changes in business and economic circumstances but welcomes them eagerly as a fruitful field from which new competitive opportunities may be seized. Successful management performance rests to a considerable degree upon catching the "turn of the tide" more rapidly than the next fellow.

3. Research-Mindedness: Research-mindedness is much more than sympathy for the appreciation of technological research and should not be confused with it. By research-mindedness, I mean native curiosity and intellectual restlessness, qualities of mind which impel a persistent questioning of the status quo. Research-mindedness is a method of approach in which new ideas are developed and in which there is a constant inquiry into new things. The development of the quality of research-mindedness throughout all levels of our management team is one of our best safeguards against complacency.

4. Initiative: The spirit of initiative is a fragile and a priceless thing. We must seek to nurture it throughout our organization wherever we can find it and particularly among our younger people. There are at least two highly important safeguards to initiative. One lies in seeing that all members of the management team have the freedom to speak their minds on any subject concerning the company's welfare without fear of reprisal or recrimination. A second safeguard to initiative lies in seeing that each executive has the freedom to make his own mistakes, providing that they are "intelligent" mistakes and that he learns something from them.
An _____ Manager is one who is accountable within his assigned area of responsibility for establishing and meeting company objectives primarily through the efforts of other people.

A supervisor cannot get people to put forth their best efforts by merely ordering them or exhorting them. Even convincing them intellectually may not be enough. Each supervisor must get acceptance of his orders and create a desire in the people receiving them to do what is required.

A good supervisor may inspire his subordinates in many different ways, and there is no single pattern of activities that would fit each individual. One essential technique of leadership is that of setting a proper example; another is that of clearly defining objectives for each member of the group. An important means of calling forth the maximum effort and the most enduring effort from a group of people is to stimulate them with a challenge to their imaginations and abilities.

A position of leadership is something each supervisor must win for himself. The right or power to make decisions may be delegated from above, but the ability to get the job done lies in winning the acceptance and whole-hearted co-operation of subordinates.
Common Responsibilities of Managers: Those ideas expressed in the documents on the duties of anybody who accepts an obligation for the work of others.

Respondent No. Examples of Differing Words and Phrases

11 Each member of management must assume certain responsibilities common to all executive and supervisory positions. These responsibilities are not detailed in the statements of individual position responsibilities but are indicated by the phrase, "Perform general functions inherent in all executive and supervisory positions." These common functions which are a part of every position are:

1. Know and support company objectives and policies, and develop necessary supporting policies and programs.
2. Interpret approved policies and plans to his organization and direct its day-to-day operations so as to attain the established objectives.
3. Advise and consult with his superior on all significant matters, including the selection of key subordinates and changes in their compensation or principal work assignments. See that his subordinates do likewise.
4. Delegate responsibility in accordance with the basic organization plan of the company described in the individual statements of responsibility and see that his subordinates do likewise.
5. In general, see that the functions of his activity are carried out with an economic number of qualified personnel properly trained and directed.
6. Contribute to the coordination of over-all company efforts by cooperating with other executives and supervisors throughout the company to supply and
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Examples of Differing Words and Phrases

exchange information relative to the improvement of company performance.

7. Plan his work systematically, and require that his subordinates adequately plan their respective assignments.

8. Keep informed on all matters that might contribute to the efficiency of his function and to an improved competitive position.

9. Strive constantly toward reduction in cost and improved efficiency through economy in the use of personnel and material, by desirable simplification and consolidation of activities, and by elimination of those that prove non-essential.

10. Review regularly the performance of subordinates and report upon their proficiency. When appropriate, make recommendations for personnel actions (including transfers, promotions, demotions, salary adjustments, etc.). See that his subordinates do likewise.

11. Maintain records, prepare reports and conduct correspondence which may be necessary for the effective performance of his activity.

12. Prepare and submit manpower, expense, and capital budgets covering the work of his activity and operate within requirements of approved budgets.

13. Supervise the proper care of company property assigned to him or subordinates and take action to eliminate hazards to personnel and material.

14. Keep abreast of developments and improved techniques in his field and adopt those which will contribute significantly to better company performance.
Examples of Differing Words and Phrases

There are certain responsibilities common to all members of management which should be understood and practiced by every member of the management group. They are:

1. Live up to a high code of personal honor; follow the Golden Rule and obey the law.

2. Understand and follow sound principles of organization.

3. Fill all positions with the best qualified personnel, make promotions from within the organization whenever practicable, and maintain a sound replacement program.

4. Make plans for the discharge of his responsibility.

5. Keep himself informed on all overall corporate policies and on such specific policies as affect his particular responsibilities.

6. Offer suggestions and criticisms for consideration by higher management.

7. Keep himself abreast of developments relating to his particular responsibility by following a personal program for study and observation of activities of others.

8. Establish a two-way communications system by which he keeps his organization fully and promptly informed on all matters of specific or general interest and by which his organization keeps him informed on all such matters.

9. Constantly inspect and appraise the activities and results of himself and his organization.

10. Know by personal contact the morale, the problems, and the achievements of all members of his organization.

11. Conduct sound human relations both inside and outside the company.
12. Follow common sense. Recognize when and where exceptions to rules should be made.

An _____ Manager Knows:

The objectives of the Corporation and his division or corporate department as well as those within his area of responsibility.

The basic organization concept and structure of the Corporation and his division or corporate department.

His position responsibilities and authority as resolved with his supervisor and how they relate to the objectives and organization structure of the Corporation and his division or corporate department.

The technical or professional aspects of his responsibilities in sufficient detail to provide leadership in setting and meeting the objectives of the organization.

His staff intimately enough to motivate each individual to maximum productivity and to realize each staff member's full career potential.

Those policies of the Corporation which have a direct bearing on his responsibilities.

What other management functions can contribute to the achievement of the objectives of his organization.

How to interpret and use reports and statistics which bear on his responsibilities.

How to communicate ideas, plans, programs and results, both orally and in writing, to meet his objectives.

Those business, economic, political and social factors which affect the enterprise and his area of responsibility.
Examples of Differing Words and Phrases

An _______ Manager Believes:

In the _______ philosophy of management and beliefs on which it is based. He also believes it is his responsibility to lead his organization in the establishment of goals and completion of plans which will contribute most to the success of the Corporation.

That a basic understanding of people and their motivations is essential to fulfill his prime obligation to provide management competence and succession within his area or responsibility.

That the objectives of the Corporation and the personal ambitions of employees are interdependent and encourages each member of his staff to participate fully in the establishment and attainment of organization objectives.

In delegating responsibility and equivalent authority to the lowest possible level on his staff with the full recognition that he is accountable for results.

In holding timely and frank discussions of the results attained by members of this staff to assist them in defining and carrying out their career development plans. He also believes it is in the best interest of both the individual and the Corporation to transfer, or otherwise remove from his position, any individual who continues to perform incompetently.

In giving full credit to his staff for achievement and in assuming the blame for any failure.

In the Corporation's policy of promotion from within provided that the individual to be promoted is fully qualified, is interested in the position, and the move is in the best interest of the Corporation.
**Examples of Differing Words and Phrases**

In granting appropriate financial recognition to each subordinate whose performance is outstanding.

In making timely decisions based upon the facts available, realizing that risks are sometimes necessary and that his decisions may not always be right.

In being intellectually honest and objective in all his actions.

In setting high standards of performance for his subordinates and for himself, and in doing a complete job on each task.

In communicating those matters which his supervisor needs to know to fulfill his responsibilities.

In trusting management associates and subordinates with important and confidential company information which will help them carry out their responsibilities.

**Functions of Management:** The ideas expressed in the documents relevant to the grouping of the activities of a manager.

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<tr>
<th>Respondent No.</th>
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<tbody>
<tr>
<td>11</td>
<td>Planning is of little value unless there is subsequent control to make certain that the plans are carried out.</td>
</tr>
<tr>
<td>161</td>
<td>Thought in advance of action. Clarification of objectives, visualizing the needs of the business, and determining its most advantageous future course in terms of policies, programs, research, budgets, and profit goals.</td>
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</tbody>
</table>
Examples of Differing Words and Phrases

Whenever possible, best practice should be determined, expressed in terms of definite units or standards, and adopted as a pattern for use in operation or performance and in planning and control.

The increasing intensity of competition in the oil industry and the growth in the size of ______ require that we plan our operations and expansion programs with ever-increasing precision. We must have facts. Those facts must be thoroughly and accurately analyzed, and above all we must accustom ourselves to acting upon the results of the analysis rather than upon preconceived ideas and opinions.

The management team of a large corporation today must have available to it at least two important types of skills, operating skill and planning skill. ______ for many years has been long on the former and short on the latter. The scope and size of the company's operations have now reached the point where we must give increasing attention to the task of developing the planning skill in our executive organization.

Emphasis on the need for effective planning is in no way intended to detract from the importance of the "hunches" and intuitive judgments that come from long experience. These things will always be important. In the business world of today, however, they will not do the job alone; they must be blended and modified with the cold, hard facts which can be derived from top-notch financial and operating analyses of every phase of our business.
Examples of Differing Words and Phrases

208  When we can sit down together and think through all the things we plan to do and then reduce these plans to writing, we shall be operating on a much sounder basis; and we can be assured that the process will pay dividends.

161  Delegating and fixing authority and responsibility. A sound plan of organization enables all of its parts, individually and collectively, to function most effectively in reaching the common objectives.

208  Many companies leave the provision of key personnel largely to providence. We must have a carefully developed program to make sure that every responsible position is capably filled.

61   People work better when they know what is expected of them. By knowing their working areas, they can proceed without doubt and with the knowledge that they have full authority to perform certain functions. If people know their jobs and their relationship to other jobs, there is much less opportunity for friction, for office politics, and for anyone to assume authority arbitrarily. That is the reason it is necessary to formalize the organization structure to the extent of writing job descriptions and issuing statements of responsibilities and authorities.

208  Directing is the management function with which we are most familiar. It consists of making decisions, of communicating the decisions to the parts of the organization which will do the job, and of inspiring in the members of the organization the desire
to carry out the decisions to accomplish the objectives.

Gathering and analysis of data to see that plans are carried out, to provide a basis for further planning, and to measure performance against predetermined objectives. Proper control methods permit executives to delegate wide responsibility and authority, thereby freeing themselves of administrative detail in order to concentrate on broad planning and direction.

Management control is the task of keeping the organization on its course and of making sure that all of the various subdivisions and component parts are continuing to work toward common objectives.

It is obvious that the control process is closely interwoven with all of the functions of management discussed above. In the planning process, we seek to arrive at a clear understanding of just what it is we are trying to do. At the same time, the planning process automatically establishes the control standards against which our progress may be measured. The process of organization likewise makes an important contribution to the control job. When an executive divides his total job into logical subdivisions and delegates clearly the authority and responsibility for each phase of the work to capable subordinates, he is providing a framework through which effective control may be exercised. Staffing plays a part in the control job, because in the recruiting and training of people we are, in a sense, developing some "built-in" controls over the performance of various
Examples of Differing Words and Phrases

management tasks. Directing and co-ordinating have clear relationships to the management control, because in the exercise of these functions we seek to solve day-to-day operating problems in such a way that the organization will progress toward its established objectives.

Management Continuity: The ideas contained in the documents on provision for adequate management at all times.

Respondent No.  Examples of Differing Words and Phrases

208 The responsibility of management in _____ and its affiliates does not end when current affairs are well managed; it demands that an equally good or better successor management be provided.

208 So important is the development of managerial leadership to the _____ Board that it has set up a special committee of its own members to stimulate and guide the development and training of executives. Known as the Compensation and Executive Development Committee, this group guides and stimulates executive development in the parent company and follows closely this activity in the affiliates. But training for management does not take place only at the top. Opportunities exist at all levels of the organization for the alert employee to train himself and move into positions of greater responsibility as he becomes more competent. Having qualified himself by early experience in a particular field, the developing executive expands his skills as his career advances, at the same time encouraging similar skills in potential successors.
Management by Objectives: The ideas expressed in the documents relative to directing and supervising others by specifying desired end results rather than detailed instructions on how to achieve the end results.

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**Examples of Differing Words and Phrases**

167 That the establishment of clearly defined written and understood objectives for the Corporation, and attendant objectives for each division and each major corporate staff department, is essential to the planned and orderly progress of the Corporation.

61 That an individual will both seek and accept responsibility, show more ingenuity, be more productive, and best realize his personal ambitions when he is working toward objectives which he has helped formulate, in which he is directly involved, and to which he is personally committed.
VII. POLICY

Adherence: The ideas expressed in the documents on the extent to which the management philosophy of the company is to be adhered to by the members of the organization, and the intent of top management to see that it is followed.

Respondent No.  Examples of Differing Words and Phrases

128 The following policies are the broad overall guides for all management personnel in our joint responsibility for attainment of the basic Corporation objective. They constitute our code to facilitate intelligent and effective planning, cooperation, action and control.

208 Out of its long experience, _____ has come to accept that the following principles are indispensable to successful management: decentralization, cooperation, continuity of management, coordination and research. When applied with understanding and good judgment, these principles balance, support, and reinforce one another.

27 Certainly, these are high standards, and much easier to state than to apply consistently. It would be foolish to claim that no member of _____ management has at any time or place ever violated these principles. We are an organization of human beings and humans are prone to err. And yet the record of the past shows that deviation from these principles has been the exception rather than the rule - that most deviations resulted from ignorance or misunderstanding rather than conscious action, and that virtually all defections from principle, whether conscious or unconscious, brought adverse results. It is fair to state that our record in
observance of these principles is a good one. Of greater significance, however, is the fact that members of ______ management today are committed to strict adherence to these principles and now in the years to come.

The purpose of the Guide is to explain the ______ Company's concepts of management and organization - what they are and how they are intended to operate. It is designed to assist managers in understanding the basic management and organization concepts which result from the _____ decision to change from a relatively centralized to a relatively decentralized form of organization. Because significant changes in relationships must be made, the Guide will be revised and re-issued periodically to reflect the Company's progress toward full realization of the new concepts.

"Organization" consists of basic structure, a set of relationships between each of the elements of the structure, and certain formalized "devices" to ensure a channeling of all efforts toward the common goals of the enterprise. The "devices" include policy statements, business plans (including budgets), advisory groups (like the Management Council), and certain management meetings.

Recognizing that business exists to serve the common good and appreciating that our stewardship is properly of broad interest to many people, we of _____ wish to set forth the principles which guide us in the conduct of our business affairs.
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<tr>
<td>212</td>
<td>It is not intended to tell anyone what to believe.</td>
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<td>212</td>
<td>It violates no individual rights of privacy, and it relieves no employee of responsibility for his own acts of conscience.</td>
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<td>212</td>
<td>Confidence that _____ men and women do have satisfactory attitudes toward their work was expressed at the 1956 annual meeting of stockholders by _____.</td>
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<td>212</td>
<td>Our concern over people's mistrust is not alone that legislation may be enacted which could destroy the ability of business enterprise to function efficiently.</td>
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<tr>
<td>212</td>
<td>Over the years a system of fundamental beliefs had developed out of practice.</td>
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<tr>
<td>212</td>
<td>It has been a task of ascertaining and setting down the creed that already existed.</td>
</tr>
<tr>
<td>212</td>
<td>This statement sets forth the nature of the company's business. Note that the phrase &quot;and other energy resources&quot; is used. Today the main resource is petroleum, but tomorrow it may be something else.</td>
</tr>
<tr>
<td>212</td>
<td>Finally, it is important that a company publish its creed because doing so will encourage the healthy practice of self-examination and self-criticism. Can our beliefs withstand the pitiless glare of public scrutiny? Do our policies really conform with what we say we believe? Are there some changes that we ought to make in order to safeguard the future welfare of our Company? Questions such as these may at times be</td>
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painful, but it is essential that they be raised. In a speech which was accorded a great deal of favorable attention by businessmen, Robert G. Dunlop once asserted: "Business, like any other institution that hopes to survive, must adjust to the goals of the people it serves."

The process of self-examination and adaption—holding firmly to what is good and changing the not-so-good—must occur at all levels of the organization. It demands, therefore, the participation of all employees. A creed is designed both to encourage self-criticism and to establish the enduring principles which give direction to necessary changes.

Under _____'s Philosophy, long range and continuing corporate objectives are discussed, decided upon, spelled out in writing, and communicated to all the various people and publics which are either directly or indirectly involved in the affairs of the Corporation. They elaborate on the one objective that "_____ is in business to make money." They make it clear to the _____ salesman, personnel man, accountant, plant manager, research scientist, etc. that he has a role to play in the Corporation's goal. With this knowledge, the _____ manager is in a better position to define his own responsibility and his own objectives in meeting the Corporation's major goal.

_____'s long range and continuing Corporate objectives clearly spell out the industries and product lines within which the Corporation intends to operate. This
Examples of Differing Words and Phrases

then is a guide to both our management in planning, and our various publics, building stability and confidence in the Corporation.

167 Long range and continuing objectives make it clear to our customers what they can expect from _____ in the way of quality, service, price, etc. This intention can also be an incentive and a guide to every member of management so that they will set related objectives and strive to meet them in their own area of responsibility. Our publics are also informed of _____'s intentions in the development of the best possible relationships with our customers.

167 _____ long range and continuing objectives make it clear to all our publics and all our employees that the Corporation continually strives to be a responsible American citizen. These objectives also spell out the role the Corporation intends to play in the economic development of the world.

167 _____ objectives make it clear to our shareholders and employees in writing that the Corporation intends to place continuing emphasis on their importance to the success of ______. These written objectives serve again as a reminder to each person in management that he has a continuing share in meeting this particular responsibility to shareholders and other employees within the Corporation.

167 _____ long range and continuing objectives provide the basic foundation for the _____ Philosophy of Management. These objectives serve as a constant guide to
present management and their successors that a balanced management effort must continually be directed toward meeting these objectives. Finally, these same objectives provide the necessary framework for more specific written Corporate five year and one year objectives.

Application: The ideas expressed in the documents on the methods of using the statements of policy and philosophy.

Through the full and fair application of all ______ policies, to develop "______ spent" in its broadest interpretation within the organization.

______ as an important contributor to, and beneficiary of, progress in the economy of the world, pledges itself to the effective observance of the Principle and Objectives set forth herein. We believe that by so doing, we can make our greatest contributions and earn the maximum benefits to which we are entitled.

It follows that Corporate aims and objectives should be defined, understood and followed with consistency in all departments.

Our decentralized form of management is based on the principle that decisions concerning Company operations should be made as close to the operating level as practicable. To implement this principle, large amounts of decision-making authority
have been delegated to Division Managers for their exercise or further delegation. However, in order to channel all efforts toward the common goals of the Company and to integrate all Company activity effectively, the President retains directing authority. He exercises this authority whenever, in his judgment, considerations of corporate well-being outweigh the advantages of decentralized decision-making. The Corporate Policy Statement is one of the communication devices available to the President for this purpose. It is not the only means available and, considering the needs of each particular situation, it may not be the most appropriate method to use.

While Corporate Policy Statements do not provide a rapid method of communication, once issued and placed in a Policy Manual they are very durable and capable of communicating decisions to other managers for long periods of time. Barring exceptional circumstances, they should be used only in situations when this "long-term" type of communication is appropriate, i.e., when the questions treated will arise often over a relatively long period of time.

Corporate Policy Statements are one means by which the President communicates his standing decisions to other managers and are reserved for his use alone. Although corporate staff executives have a responsibility for developing and recommending new and revised Corporate Policy Statements to the President, when approved these statements become directions from the President.
Each exercise of directing authority by the President centralizes control of the Company to some degree. Unnecessary centralization of control must be avoided if the company is to obtain maximum benefits from decentralized decision-making. For this reason Corporate Policy Statements are issued only when the President believes that advantages gained through central direction offset the loss of decentralization.

Directions conveyed through corporate policy statements can range from general to specific, depending on the requirements of the particular situation. When general directions are required, the factors to be considered by the manager subsequently making a decision in a particular case are listed and, when significant, relative weights indicated. These general directions should enable other managers to evaluate particular situations and make the proper decisions. Other Corporate Policy Statements will contain specific directions for action.

General directions are preferred in Corporate Policy Statements because they allow managers greater decision-making latitude. Because very specific directions impose greater restrictions on the decision-making authority of other managers, they should be used only when the question is so important that no exercise of discretion can be allowed. Stated another way, "Is the decision important enough that the President must make it himself?"
In many cases, a combination will be required - general directions covering the entire subject and specific directions concerning certain aspects of the subject area.

Occasionally, part of the direction which the President feels must be provided on a subject will be too technical or too detailed to be within his personal field of knowledge or concern. In these instances the President will provide basic direction in a Corporate Policy Statement, and will delegate authority to provide further direction concerning particular aspects of the subject involved. This delegation is accomplished by requiring, in the Corporate Policy Statement, the issuance of a Supplement.

The statement requiring the Supplement will state the objective to be attained by the Supplement and will limit the authority delegated to the achievement of that objective. It will also designate the person or persons who are to develop the Supplement. Depending on the subject involved, a Supplement may be developed either by a corporate staff executive, by a Division Manager, or by a group of Division Managers. In the latter case, the Policy Statement will also designate a corporate staff executive who will coordinate the developmental effort. Each Supplement will be referenced to the authorizing Corporate Policy Statement and will be filed with it.

There are many cases in which uniformity of method is of little or no benefit and clearly requires more effort and cost than the results are worth. This is especially
true now that each division is developing different markets for different products, and the nature of each division's business is becoming increasingly unique. Most important, the Division Manager is responsible for profit and must have the widest latitude possible in managing his affairs.

When judged by these factors, if uniformity of method is not considered essential, it shall not be required by the Corporate Policy Statement. When uniformity of method is deemed essential, the uniform practice or procedure required shall be stated or the authority to impose a method shall be delegated to a specific person or persons.

Because of the diverse business environment of component organizations, Corporate Policy Statements will not always require the same responsive action from all concerned organizations. When a different action is expected or permitted, the diverse requirements will be stated or the discretionary elements identified.

Policy Development: The ideas expressed in the documents on the needs for modification and revision of standing policies.

We must be alert to changes affecting our market and be prompt to take whatever actions are necessary to realize gain or to avoid loss. This demands a readiness to
Examples of Differing Words and Phrases

change objectives and, if necessary to make radical modifications in established operations.

118 . . . recognizes a duty to its employees, stockholders, customers and the general public to state clearly the policies it follows . . .

118 We believe the conscientious adherence to these policies will bring about a cooperative relationship within which every person who works for _____ will gain a true and lasting satisfaction from his work and association with the Company.

120 Policies must continue to be formulated which will fashion appropriately the character of the Company and establish _____'s leadership in the development of progressive policies.

36 Proposed changes in Corporate Policy will most often affect several areas of Company activity. The method of development and review described below provides an opportunity for comment by corporate staff executives and Division Managers concerning the effect of the proposed change on their operations. It also provides a method by which the difficulties or conflicts, thus discovered, can be resolved before publication.

36 Development begins when a corporate staff executive, acting on his own initiative or at the suggestion of others, determines the need for a revision of existing policy direction or the need for additional policy direction in a particular area. After an exchange of ideas with other persons
concerned with the subject, he prepares a draft Corporate Policy Statement. In addition to policy direction this draft specifies the organizations to which the policy would be applicable and the executive or executives who would be responsible for monitoring, interpreting and up-dating the policy. The draft is reviewed with the Administrative Planning Staff to avoid any conflict with other Corporate Policy Statements being developed, with contemplated organizational changes or with the concepts of the Management Guide.

To begin formal review, the originating corporate staff executive transmits copies of the draft to the Division Managers and to other corporate staff executives for their comments. The reply of each Division Manager presents a single division position which is usually determined after considering the opinions of the heads of affected functional areas within the division. After careful consideration of the comments received, the originating corporate staff executive reforms the draft as he deems proper. The resulting proposed Corporate Policy Statement is then transmitted to the Administrative Planning Staff, with a summary of coordination affected, a summary of comments received and an explanation of their disposition, for delivery to the Management Council. Copies of all documents are also sent to persons commenting on the draft.

Management Council review is scheduled by the Administrative Planning Staff and all interested parties are notified. After Management Council review and action by the
Examples of Differing Words and Phrases

President, publication of approved Corporate Policy Statements is arranged for by the Administrative Planning Staff.

In unusual circumstances, this method of development and review may be abridged at any point by submitting a proposed Corporate Policy Statement directly to the President.

New or revised Supplements will be developed by the person or persons designated in the Corporate Policy Statement. During development, the proposed Supplement will be provided to the Corporate staff executives and Division Managers to be affected, and careful consideration given to their comments. The Administrative Planning Staff will review the completed Supplement to ensure that the direction given is compatible with the authority delegated in the Corporate Policy Statement and will arrange for publication.

Distribution of Corporate Policy Statements and Supplements within each division will be controlled by the Division Manager, but in a manner to insure rapid, consistent and accountable dissemination to the heads of all major functional groups. Distribution within Headquarters will be provided by the Administrative Planning Staff.

This Guide to Corporate Policy Statements does not attempt to answer all questions concerning corporate policy. It does, however, provide a framework within which to consider possible uses of Corporate Policy Statements in particular situations. Your careful consideration of the factors
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Examples of Differing Words and Phrases

explained here is essential if proper usage is to be maintained.

Proper usage of Corporate Policy Statements requires more than an understanding of their uses as a communication device. Both action implementing the requirements stated and a periodic review of results achieved are also essential. Implementing action and appropriate review should commence with issuance of each Statement and continue as long as it is in effect. This latter is a particular responsibility of each Division Manager and the Headquarters' executive identified for maintaining and up-dating each policy.
VIII. PHYSICAL PERFORMANCE FACTORS

Physical Performance Factors: The ideas expressed in the documents on the use and quality of material resources.

Respondent No. Examples of Differing Words and Phrases

128 To take aggressive action at all times to improve facilities and fully utilize available technology in the improvement of practices, quality and processes in the interest of decreased costs.

99 Major determinants of lowest cost include the quality of facilities provided for the manufacture and physical distribution of our goods, ingenuity in the uses and combinations of materials of which our goods are made and the soundness of our methods and procedures in the employment of people in combination with facilities and materials.

99 It will be our practice, within limits imposed by the wise and economic utilization of our capital, to provide the best and most efficient facilities available for lowest unit cost production and distribution of quality products. Constant attention must be given to income-producing modernization, mechanization and automation of existing facilities.

99 The development of proprietary machines, tools and processes is encouraged. Whether such proprietary means are retained for exclusive _____ use, or offered to others, will depend, in each case, on where lies the balance of corporate advantage.
Examples of Differing Words and Phrases

Because of the capital costs of factory utilities and services, and because of the continuing costs of plant overheads and maintenance expenses, the number of separate manufacturing locations will be kept to the minimum necessary, economically, to service our customers up to the plant size where maintenance of good employee and community relations may become difficult. New locations will be established only after careful study and evaluation of all relevant factors.
IX. ORGANIZATION STRUCTURE

Decentralization: The ideas expressed in the documents on the extent to which higher management assigns duties and function to subordinate individuals and groups for performance.

Respondent No. Examples of Differing Words and Phrases

36 It is the intention of the Company to realize in a reasonable period of time the following management concept:

A. A headquarters which is responsible for ensuring profitable operations and acceptable future development of the company through: the exercise of broad direction and control of the business as a whole; the provision of guidance and assistance to the divisions in special fields of knowledge; and the evaluation of divisional performance.

B. A number of operating divisions, each with primary responsibility for the development, sale and manufacture of products within an approved business plan; each accountable for profit performance and for the perpetuation of itself as a business enterprise; and each given commensurate authority to manage its own operations.

208 Decentralization has long been an established management principle of ____ and is basic to its plan of organization. Broad authority for management rests in the hands of its affiliates. Furthermore, the ____ Board delegates broad responsibility and commensurate authority to its own staffs and departments. Thus the management function is dispersed widely throughout the organization.
Examples of Differing Words and Phrases

208
Each affiliate recommends candidates for election to its board of directors at its annual shareholders' meeting. The ___ Board, before voting the Company's stock for the recommended candidates, seek to assure itself of their competence and capability for efficient management of the affiliate. While the parent company makes available information and advice to assist the affiliated company managements in the discharge of their responsibilities, the board of directors of each affiliate has full authority for conduct of the affiliate's affairs and is accountable to all of its shareholders.

208
Decentralization, by spreading responsibility, provides widespread opportunities for exercise of judgment and for growth in initiative, resourcefulness, and leadership. It develops managerial talent. So successful has this policy been in building a reservoir of experienced, capable executives that for many years ___ has been able to recruit its management principally from its own ranks and those of its affiliates.

99
___ believes that in a company of our size and diversification, greatest management effectiveness can be developed and greatest company progress achieved through decentralization of responsibility and authority for operations.
Delegation: Ideas expressed in the documents on the need for managers to share the administrative task with subordinates.

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<tr>
<td>11</td>
<td>Subordinate management, to whom authority to handle problems has been delegated, should bring to the attention of their superiors, for handling, only those problems which fall outside the areas covered by instructions, policies, and procedures.</td>
</tr>
<tr>
<td>11</td>
<td>Authority should be delegated as far down the line as possible to permit decisions to be made close to the source of the problem.</td>
</tr>
<tr>
<td>11</td>
<td>Responsibility and authority should be centralized where necessary to provide leadership and consistency of action and to deal with emergencies.</td>
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<tr>
<td>11</td>
<td>The limits of delegated authority should be clearly defined.</td>
</tr>
<tr>
<td>11</td>
<td>Misunderstandings or disputes of authority of responsibility should be settled promptly.</td>
</tr>
<tr>
<td>99</td>
<td>Effective, aggressive management requires delegation of responsibility, and corresponding authority, to able lower level executives. It is a _____ principle to delegate and redelegate to the maximum degree compatible with attainment of corporate objectives.</td>
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</table>
| 99             | Thus, each executive will be held fully accountable for results in his area of responsibility, and for the positive and wise use of his delegating and delegated...
Examples of Differing Words and Phrases

authority. For each key executive, a definite list of quantitative and qualitative position objectives will be established annually, and performance against position objectives will be a key element in decisions regarding promotions, demotions, compensation adjustments and the like.

11 Every member of the organization should have authority equal to his responsibilities and should be accountable only for activities under his control.

11 Every supervisor should carry full responsibility for the performance of those reporting to him.

11 Each individual should receive direction from, and should report, only to one supervisor.

11 Jobs should be performed at the lowest level in the organization capable of handling them, and every effort should be made by supervisors to delegate responsibility "down the line."

11 Executives and supervisors should exercise control through attention to important matters, rather than through review of routine activities of subordinates.

11 Insofar as possible, each supervisor should be responsible for a single type of work or a closely related group of activities.
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<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
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<tbody>
<tr>
<td>11</td>
<td>Changes in responsibility, promotions, and transfers should be made with the full understanding of all concerned.</td>
</tr>
<tr>
<td>11</td>
<td>Individuals reporting directly to a superior should not exceed the number which can be directed effectively.</td>
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</table>

**Relationships:** The ideas expressed in the documents on the relationships between organizational units.

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</thead>
<tbody>
<tr>
<td>149</td>
<td>Organize and manage the staff and service facilities of the Company so that they may best serve, at a reasonable cost, the needs of all operating divisions, corporate management and the Board.</td>
</tr>
<tr>
<td>11</td>
<td>From top to bottom _____ and across all of its activities, teamwork between line and staff is vital to successful conduct of the business.</td>
</tr>
<tr>
<td>11</td>
<td>Line management includes all those, from the president down, who exercise significant operating control over the basic things _____ does: developing, manufacturing, and marketing drugs, chemicals and other products throughout the world.</td>
</tr>
<tr>
<td>11</td>
<td>Because it carries direct accountability to the board of directors for profitable results from operations, line management runs _____.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

11
All other executives serve in staff capacities and work for line management. Their principal job is to help line management in the profitable conduct of developing, manufacturing and marketing. To that end, the counsel and advise line management on a variety of topics such as personnel utilization, accounting and finance, and quality and production control. They prescribe, guide, audit, and evaluate the manner in which their specialties are carried on throughout the company. While staff activity contributes significantly to the company's profitable operations, it does not bear direct responsibility for its final accomplishment.

11
It is the duty of every line executive to use staff services to best advantage in planning, directing, controlling, and improving his operations.

11
It is the duty of every staff executive to safeguard the interests of line executives by giving them the facts on performance in their areas, to identify areas for operational improvement and to propose means for accomplishing them, to help line executives attain the results expected of them, and to supply information requested by staff or line executives at levels above him.

11
The creation and maintenance of productive teamwork between staff and line at all levels are major and continuing responsibilities of every ______ executive, manager, and supervisor.

219
Transactions between divisions shall normally be on an arms length bargaining basis.
Examples of Differing Words and Phrases

219 A division losing the business of another division to an outside source shall have the right of appeal to top management.

219 Where a division is entirely dependent on another division, i.e., no outside source is available to provide competition, it shall have the right of appeal to top management if it feels that it is paying an excessive price.

208 In each case, the supervisor responsible must make the decision. Some people complain of "divided responsibility" when they are merely shirking responsibility. Many people will avoid a decision to avoid being held responsible for the consequence. The line supervisor should give every possible value to the information of the staff specialist but should not allow the specialist's information or opinions to become decisions automatically without first checking and modifying them in the light of his own experience and his knowledge of all other phases of the business.

208 Vitally important to the successful management of _____ and its affiliates is the coordination of their investment, financial and operating policies.

208 To choose among alternative opportunities for investment of available financial resources; to interpret prevailing trends and anticipate future developments in each branch of the petroleum industry; to balance current and future availability of supplies of crude oil and products with demand; to make available to the affiliated companies information and advice on all these matters so that their activities and
Examples of Differing Words and Phrases

policies are to the extent feasible compatible with over-all objectives—all these are problems of coordination. Such problems are usually of long-range character, requiring continuous, broad, and farsighted investigation by individuals informed and experienced in the engineering, scientific, and technical aspects of the petroleum industry and in commercial, financial, and administrative affairs as well.

The special function of coordination is the primary concern of several groups of specialists in the parent company: the Board Advisory Committee on Investments; the regional Contact Directors and Regional Coordinators; the functional Contact Directors and Functional Coordinators for Marketing, Producting, Refining, and Transportation; and the Coordination and Petroleum Economics Department. The ____ Representatives, located in Europe, also serve effectively in the work of coordination.

In a more general sense, coordination is a duty of all the departments of the parent company. In its own area, each department brings together the experience of all the affiliates and keeps abreast of developments in other businesses. Each calls on the others for information and assistance it may need in its assigned work and participates with others in joint discussion of problems which do not fall exclusively in any one area.
Examples of Differing Words and Phrases

Consistent with the principle of decentralization, coordination is carried out through advice and counsel with the affiliated companies, while full authority for their operations and policies and full responsibility for the results thereof remain with their respective managements. All coordinating activities not only serve their own special and immediate purposes but promote the Company's educational and executive development objectives as well.

_____ headquarters is a functionally balanced top management organization which exists to guide, assist and evaluate the activities of relatively independent divisions and to ensure the acceptable future development of the company. It is not a holding company interested solely in financial control.

The President guides and controls the business as a whole and directs the Division Managers. The primary purpose of corporate staffs is to provide counsel and assistance to the President the divisions in their respective fields of special knowledge and competence. It is of fundamental importance to understand the distinction between the President's relationship to the divisions and the relationship of the corporate staffs to the same operating units. The President alone can give direct orders to the divisions. The corporate staffs can only advise and assist.

This distinction is the principal characteristic of "line" and "staff" organization. Under this concept of organization
Examples of Differing Words and Phrases

Examples of Differing Words and Phrases
toward which _____ is now moving, the major line and staff relationships are as follows:

A. Line authority and responsibility. The major line executives at _____ are the President and the Division Managers. They exercise command authority over the whole business or major segments thereof, and are commensurately responsible.

B. Staff authority and responsibility. Corporate staff executives are properly viewed as representatives of the President for their particular functions, but they do not have command authority over the Division Managers or over specific departments within the divisions. Corporate staffs (1) provide technical leadership, advice and assistance in their particular functional areas; (2) assist the President by developing policies, standards and procedures in their specialty for his approval, and monitoring divisional compliance with such directives.

C. Interaction of Line and Staff Authority. If a recommendation of a corporate staff executive is not acceptable to a division manager, he may after careful consideration, choose a different course of action. Either executive may refer the difference of judgment to the President, who will resolve the matter at his discretion. Success in exercising and accepting staff counsel requires (1) mature and seasoned judgment on both sides; (2) a wise restraint on the part of the corporate staff (based on an awareness that division management will be held accountable for divisional performance); and (3) an acknowledgment on the part of division management that the corporate staff possesses special competence and acts as a
Examples of Differing Words and Phrases

representative of the President. In a well-managed organization where relationships are healthy and resilient, there will be few differences that require resolution by the President; but where the issues are important and the differences deep, it is always better to present them for a clear-cut decision than to arrange a superficial compromise at a lower level.

A. As previously stated, the President guides and controls the business as a whole, supervises the Division Managers and integrates the efforts of the corporate staffs. He also serves as chief Company spokesman. In discharging these broad responsibilities, he must rely on the Division Managers to initiate profitable programs and to manage the major operating units of the company. He also requires and must receive substantial assistance from his key headquarters executives in their respective areas of competence.

Both the Division Managers and the Key headquarters executives provide assistance and counsel to the President in the formulative and deliberative phases of decision-making, and in assuring that decisions are faithfully executed. With the foregoing assistance and support, the President is responsible for major decisions, including but not limited to the following:

1. establishing Company objectives.
2. assigning product fields or business charters to divisions.
3. establishing new divisions or acquiring new business enterprises.
4. approving Division Business Plans.
5. evaluating the performance of each division against its approved plan.
6. establishing policy and procedural
Examples of Differing Words and Phrases

guidances in the key areas of Company operations.
B. The present corporate staffs are: sales, advertising, public relations, engineering, research, manufacturing, material, quality control, labor relations, personnel, administration, operations planning, business planning, treasury and controller. Each corporate staff is responsible for:

1. providing technical leadership, ensuring that the most advanced knowledge of principles and practice in its specialty is known and recognized throughout the Company; and fostering the adoption of common practice in its functional area when it is to the Company's advantage.

2. providing expert counsel to the President, the other corporate staffs, and the divisions with regard to its area of functional area when it is to the Company's advantage.

3. proposing Company policy in its functional area and monitoring compliance with policies approved by the President.

4. performing assigned corporate tasks. Examples: diversification planning and action, negotiations with labor unions, management of the ______ Scientific Research Laboratories, corporate financing, consolidation of financial statements. (As you are aware certain of the corporate staffs have responsibilities which involve a doing function, or a directing function of an administrative nature, in addition to the usual staff or advisory activities. It is expected that this document will be expanded or supplemented as rapidly as practical in order to spell out the particular functions of each corporate staff.)
C. Each Division Manager is responsible and accountable for managing and administering all phases of division operations and for initiating new business programs which ensure the perpetuation and growth of the division as a profitable business enterprise. With the assistance of his staffs, department managers and program managers, and within the framework of corporate objectives, policies, and planning assumptions, the Division Managers are specifically responsible for:

1. proposing divisional objectives and developing a Division Business Plan for sales, profit, research, product development, resources utilization and other factors.

2. actually developing, selling, and manufacturing products within the scope of the Division Business Plan, as approved by the President.

3. evaluating division performance against the approved Division Business Plan and making periodic reports to the President on progress, deviation, and proposed corrective action.

4. maintaining a sound and effective plan of organization and a fully qualified management team in depth.

5. achieving a balanced emphasis on the development of new business and the execution of sold business.

6. making every effort to improve the technical and administrative efficiency of the division with a view to enhancing its competitive position.

7. taking advantage of the specialized knowledge, counsel and services available in the corporate staffs, and furnishing those staffs with information as requested.
8. contributing to the enhancement of the Company's reputation in relations with customers, employees, suppliers, community and government.

A. With the Division Managers and the heads of all major corporate staffs reporting to the President, it is imperative that only those issues be presented to the President which cannot be resolved between Division Managers, or which cannot be properly decided by a Division Manager with advice and assistance of the appropriate corporate staffs.

Matters which are appropriate for the President's consideration should be presented in as fully developed form as circumstances permit. Whenever possible, issues should be presented in the form of completed analyses and recommendations, particularly when they concern major policy or planning decisions. If these two principles of (1) maximum decision-making at the Division Manager level, and (2) completed staff work are not followed, the direct line of communication to the President will become overburdened.

B. Headquarters must be regarded as a single organizational entity. Corporate staffs must therefore cooperate and work closely together in many of their tasks to ensure that issues are fully considered by all interested parties and that duplication is held to a minimum.

C. The corporate staffs must have, upon request, free access to all divisional information.
D. The President has established a Management Council made up of certain headquarters executives. The purpose of the Management Council is to render advice and assistance to the President on problems concerning the direction, coordination and control of the business as a whole. The Management Council is an advisory body. It does not have the power of decision. Decision on all matters emanating from its deliberations can be made only by the President.

E. Since the President holds the Division Managers accountable for profit, major divisional resources can only be reassigned by the President or by mutual agreement between Division Managers. Normally Division Managers are free to determine their own sources of supply and to contract for goods and services which are not within the capability of their divisions. All managers will be expected to conduct their planning, coordinating and directing activities in the spirit of the concept outlined in this Guide.

Under New York state law and under Bylaws, "The business of the Company shall be managed by the Board of Directors." A principal function of the Board of Directors is to select a Chief Executive Officer to whom most management and administrative functions are delegated. It is the Chief Executive Officer's responsibility to keep the Board informed at all times on the affairs of the Company, and to bring to the Board all matters involving major policy, large capital expenditure proposals, financing plans, trends and influences
Examples of Differing Words and Phrases

likely to be of substantial import to the future of the Company, and the like.

Subject to the limits of corporate policies and procedures, and to the decisions of the Board of Directors and the Chief Executive Officer, the authority for operating decisions, and the responsibility for operating results, rests with operating divisions.

______ believes in the line and staff principle of organization. The central corporate staff is set up on functional lines. It carries responsibility for performing prescribed services for The ______ Company, for performing prescribed services for decentralized operations, for developing and proposing corporate policies, for rendering advisory and counseling services to divisional and corporate executives, for coordination of corporate-wide and interdivisional programs, for long-range corporate planning, for keeping abreast of new thinking and developing trends in the various functional fields, for exercising the right to know what is occurring in each division within functional fields of responsibility, and for checking on adherence to corporate policies and programs throughout the Company.

The corporate staff represents functional arms of the President's office, and divisional staffs represent functional arms of divisional General Managers' offices. Divisional staffs will carry similar responsibilities to those of the corporate staff to the extent the responsibilities apply at the divisional level.
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<tr>
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<tbody>
<tr>
<td>99</td>
<td>Broad corporate and divisional controls will generally be exercised through corporate and divisional staff offices. We desire decentralized operations under centralized controls.</td>
</tr>
<tr>
<td>208</td>
<td>One of the most important recent developments in management methods has been the increased use of various types of staff organizations to aid line executives in the performance of the planning function. Staff information is playing an increasingly larger part in executive action and is becoming an integral part of the decision-making machinery. ______ could profit much from the more effective use of staff organizations and staff work.</td>
</tr>
<tr>
<td>208</td>
<td>There are, however, definite limits to the use of specialists or staffs in any organization. While the line executive should make every possible use of the information and analyses which the staff specialist can give him, he should not let the presence of the staff expert inhibit his own thinking; nor should he allow staff reports to become, automatically, executive decisions.</td>
</tr>
<tr>
<td>208</td>
<td>Our objective is to have well-balanced, highly capable staff groups to assist line supervisors in increasing the efficiency and effectiveness of their operations and yet to prevent the growth of any company bureaucracy.</td>
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Communications: The ideas expressed in the documents on the need for a free flow of information among the management hierarchy.

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<tbody>
<tr>
<td>25</td>
<td>Through the operation of orderly plans which encourage frank and friendly discussion between management and the organization at large, understanding and confidence have been and will be established.</td>
</tr>
<tr>
<td>11</td>
<td>The exercising of common sense and good judgment is required in selecting the best communications channels and the cooperative relationships. These contacts should be as direct as possible to expedite the work to be done.</td>
</tr>
</tbody>
</table>
| 11             | Whenever cooperative relationships cut across organization lines, it is each person's responsibility to keep his superior informed of:  
1. Matters for which the supervisor may be held accountable.  
2. Matters likely to cause problems between divisions or departments.  
3. Matters which deviate from company policy. |
| 11             | Organization charts are merely graphic representation of lines of authority. They do not show lines of communication or working relationships, but merely indicate who reports to whom. |
| 11             | A free and informal interchange between and among individuals in the _____ organization is vital to the company's success. |
Examples of Differing Words and Phrases

D. Communication. In addition to normal superior-subordinate relationships, direct two-way communication between and among the following organizational units is essential to the success of the line and staff concept:

1. between corporate staffs and the Division Managers.
2. between corporate staffs and the divisional departments.
3. between corporate staffs.
4. between Division Managers.
5. between departments of different divisions.

Decisions are valueless until they are communicated to those doing the work. Decisions are often ineffective unless those doing the work have contributed to the information on which they are based. This implies two-way communication: Broad plans and objectives go to the field, specific projects and work programs come back, and approvals and modifications go back to the field. There is a constant flow in both directions.

The best communications are built on knowledge, understanding, and confidence. Instructions must be thorough enough and must be made with enough background information so that the person receiving them can use some judgment in doing the work and have a sense of participation in the management effort. If we err in any direction, it should be in giving too much information. The information must be received with confidence. Confidence can be built up only over a period of time by a history of giving honest, accurate, responsible, and reliable information.
One of the best means of developing co-operation and co-ordination in an organization is for everyone concerned to have a knowledge of the problem and to participate in working out the solution to it. If everyone sees the same answer to the problem, there is little need to give orders; and everyone will participate to the fullest extent in getting the necessary work done. This requires full information and two-way communication. Personal contact is one of the most effective means of communication.

In the conduct of the everyday affairs of the company, it is recognized that there will be constant bridging of organization lines to accomplish the work assigned to individuals. Although such crossing of organization lines is a natural part of conducting the company's business, it is important that each executive and manager know the implication of such action if work is to be performed smoothly.

The ideas expressed in the documents on the use of specified sequence of actions to facilitate managerial work.

To improve and strengthen the Corporation's management through effective . . . and continuous effort toward simplification of organization structure and procedure.
Examples of Differing Words and Phrases

11  All elements which are not essential to successful operations should be eliminated, and all those retained should be reduced to their simplest form.

99  The employment costs of people constitute the second most important _____ outlay. Methods and procedures are main determin­ants of the number of qualified people needed to produce, distribute and service any given volume of business.

99  It is our objective always to utilize the best modern methods and the simplest procedures that will serve the needs of the business. It is further an objective to achieve a continuing decrease in the proportion of each sales dollar that goes for employment costs.

Committees: The ideas expressed in the documents on the use of groups of managers in carrying out managerial work.

Examples of Differing Words and Phrases

11  Committees serve a worth while purpose in management, but their use must be carefully controlled.

11  Committees have three major values. First, they can serve as a review and advisory body, bringing a variety of experience to bear in the evaluation of ideas and recommendations. In this capacity, they should not be expected to do the basic work of gathering or analyzing facts, or of developing initial recommendations. These tasks should be the responsibility of
individuals who are members of staff departments or separately constituted task forces. Nor should committees be charged with final decision making. This is the responsibility of the individual manager who is charged with the problem in question.

A second major purpose of committees is in acting as a vehicle for informing a group of people and in keeping them advised as to the background and implications of decisions. These groups will usually consist of management people whose close cooperation is necessary to the implementation of the decisions.

Thirdly, committees can be effective devices to help in the development of managers. Under certain circumstances, a committee can offer an opportunity for specialists to work with people outside their functional areas. Their view of company problems is thus broadened beyond what it would be in their basic assigned positions.

Committees do, however, have certain weaknesses. One of these is that too much reliance on committees can slow the processes of management. Another weakness is that, once established, committees often tend to become structured organizations and to be retained past the period of their usefulness. Valuable managerial time can be wasted by needless committee activities.
Examples of Differing Words and Phrases

In order for a committee to be effective and to avoid these potential weaknesses, several guidelines should be followed:

As with all organizational units, a committee should be given specific objectives to reach. Permanent operating committees may be established to advise management on recurring problems in a given area. Generally, however, once the objective of a committee has been accomplished, the committee should be disbanded.

The nature of the objectives should determine the constitution of the committee: its size, scope, managerial level of the members, number of company functions represented, and whether the committee itself should be permanent or temporary.

Each committee member should be expected to prepare for and actively participate in each meeting. This requires that advance information or reports be provided on subjects to be covered. A specific time-tabled agenda should be published before each meeting. Detailed minutes of the meeting should be kept and summary reports issued.

The constituting authority should recognize that final responsibility for decision making rests with him alone and the committee's contribution can only be advisory in nature.
Flexibility: The ideas expressed in the documents on the need for an organization structure that is capable of responding to changing demands.

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<tr>
<td>72</td>
<td>Our organization policy is to provide a structure and plan which will assure (1) operational flexibility in product development, manufacture, and marketing, and (2) economy and effectiveness in overall administration of company activities.</td>
</tr>
<tr>
<td>11</td>
<td>Every manager has a continuing responsibility for maintaining his organization to meet changing conditions and requirements. He should constantly review the way in which responsibilities are divided among his subordinates to be sure the best organization of their efforts exist.</td>
</tr>
<tr>
<td>11</td>
<td>______ will develop and maintain a sound organization structure which effectively enables it to meet its objectives, which is dynamic enough to enable it to adjust to the changing needs of its industry, and which permits the maximum degree of delegation of profit responsibilities to its operating managers.</td>
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X. BUSINESS FUNCTIONS

Business Functions: The ideas expressed in the document on the significance of major organizational functions.

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<tbody>
<tr>
<td>11</td>
<td>will assure its position as a leading pharmaceutical house through the quality of its research and development efforts.</td>
</tr>
<tr>
<td>11</td>
<td>It will concentrate research and development attention on potentially high-profit products in the human and animal health fields and will expand its research base to include potentially high-profit products outside its present group, where appropriate.</td>
</tr>
<tr>
<td>11</td>
<td>It will place major emphasis upon applied research leading to new or improved products, but will give sufficient support to long-range research projects so as to keep abreast of developments in the scientific community and to be able to capitalize quickly upon them.</td>
</tr>
<tr>
<td>11</td>
<td>It will constantly improve through research and development the quality and cost of high-profit key products already on the market.</td>
</tr>
<tr>
<td>11</td>
<td>It will constantly present to the scientific community a professional image of _____'s research which will enable it to attract and retain leading scientists, as well as to increase the prestige of the company.</td>
</tr>
<tr>
<td>72</td>
<td>Orient and sharpen our basic and applied research efforts to emphasize selectivity, creativity, continuity, applicability and timeliness.</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

We will continue to explore and add to the current knowledge of silver and gold metallurgy. We will also keep informed as to developments in other specialty metal fields and seek out suitable opportunities for our participation. We will use outside-the-company sources wherever to supplement our own efforts.

Our position of leadership demands that we continue a *programmed* exploration of all of the uses to which silver and gold are or can be put in industry.

. . . through research, we must strive to lead in inventiveness and endeavor to anticipate inventions and improvements, in order to avert the hazards of product obsolescence.

That we should stimulate the genius of science and utilize the methods of research to improve old products and create new ones. . . .

To improve and develop present and new processes, products and technical controls in the interest of improving the corporation's profits and of providing attractive avenues for growth.

Recognizing that research is the cornerstone of our growth, support and manage our scientific activities so that they will be able to contribute effectively to the future development of the company.

We believe the material well-being of the American people, as well as the strength of our company, will in the future, as in
the past, be largely dependent upon inventiveness; that prudence requires that we provide funds, facilities and talent for the vigorous pursuit of research in all aspects of our business.

In every branch of the petroleum industry new techniques have been devised and reduced to practice with amazing rapidity. These techniques, which have contributed enormously to efficiency, to improvement in quality of products, and to development of useful new products, have been the direct result, in large part, of organized research. ______ very early recognized the fundamental importance of research to the successful management of its affairs and in 1919 set up a research department which three years later became a separate affiliate, now known as ______ Research and Engineering Company. Recently, the ______ Production Research Company was established to undertake production research activities.

Though it was in the field of technology that the value of research first became evident, ______'s management realized many years ago that it may also be applied with advantage in the important field of human relations and in other non-technical fields. Research methods, including the systematic collection, study, and analysis of comprehensive reports, have proved of great assistance in ______'s efforts to improve its relations with shareholders, employees, customers, government, and the public.
Examples of Differing Words and Phrases

______ holds unquestioned lead in research and development accomplishments among companies with which we compete, and has one of the top records in American industry. It is our purpose to maintain and extend this margin of superiority.

We must achieve, through successful research and development and successful commercialization of inventions, both an effective defense against product, materials and process obsolescence, and a strong offense for medium and long term progress and growth.

Our research and development talents and funds will be, as a fundamental principle, market directed. Corporate and divisional organization structures will reflect this market-oriented approach.

Product and materials research and development efforts and money will be spent-
* to protect and improve our position in existing product lines and existing markets, and to achieve optimum profitable utilization of existing facilities;
* to create new products and materials for which unsatisfied markets exist, and for the sale and distribution of which we have existing marketing organizations and experience;
* to create new products and materials for which unsatisfied markets exist, and which represent an outgrowth or extension of an existing ______ business, rather than an invasion, without prior background and experience, of a non-related field;
* to create new products and materials for which unsatisfied markets exist, and which
Examples of Differing Words and Phrases

may represent non-related fields of business, if we are reasonably certain that we can accomplish the technical, manufacturing and marketing functions, will be the first, or among the first, to serve the field, and can achieve a leading market position; and

*to develop products and materials for existing markets not presently served by _____ where the odds are favorable that we can accomplish well the technical, manufacturing and marketing functions, and will have meaningful advantages over competition in product quality, service, features, design, style or costs of production and distribution.

Whenever possible, we should achieve the protection of patents and specialized know-how and techniques. We should seek throughout the world to purchase new product, process and machine patents and know-how, wherever available and of benefit to us, as a means of conserving our own research and development talents for projects of unique value to _____.

To the end of getting greatest defensive and offensive returns from our research and development efforts and dollars, each important proposed project will be given careful and expeditious study from a market point of view, before large sums of money are committed. A high degree of selectivity will be exercised in the approval of research and development projects, both as to new undertakings and as to continuations of projects previously approved.
Excellent research and development performance is a primary key to the future of ______. We must hold to rigid standards of accomplishment and surpass the achievements of the past.

Every ______ job, facility and dollar exists because of, and is solely dependent upon, our ability profitably to serve markets. Thus, every ______ person is a member of a marketing team. ______ is dedicated to this concept of total marketing. All of our action plans must arise from the needs and wants of the markets we serve, and others we will serve in the future. All of our activities must be directed toward the prompt and efficient servicing of these market needs and wants.

It is a major objective to build and to maintain the highest caliber and best structured marketing organization, and to utilize the most effective marketing methods that exist in the markets we serve.

A keystone of our marketing effort will be careful and adequate planning of all activities promotive of successful marketing, both for the immediate and for the longer-range futures. Marketing plans will be kept up-to-date and realistic in terms of market trends and Company resources.

Success in the market place is strongly dependent on the caliber, organization and direction of front line sales representation. It will be our objective to have able, well-trained, highly motivated, properly organized and effectively directed sales representatives to service customers in all our profitable markets.
Because of the heavy weight of overhead costs in most of our businesses, it is essential that the largest economically practical volume of sales be made. Such sales volume at proper prices builds net income at rapid rates, after overhead costs have been recovered.

A primary means of building sales volume is through the attainment of economical national distribution through modern customer-attracting outlets. Where our Company-brand products are marketed through purchase and resale channels, our preferred means of reaching customers is through dealers and distributors.

We recognize that effective dealers and distributors are entitled to, and must, earn adequate returns. We will assist in developing such profitable operations to the extent that it is practical and economic for us to do so. It will be a principle to make the _____ dealer or distributor franchise a valuable asset for those associated with us in the marketing of our products.

Where full and adequate dealer and distributor representation cannot be obtained, we will establish Company-owned outlets that promise reasonable returns.

_____ believes that our Company and our resale trade are entitled to fair and adequate prices for quality products. We will at all times attempt to secure such fair and adequate prices by all legitimate means, including well-located distribution, customer-compelling product differentiation, assurance of high quality and good service and by other legal means.
We must and will, however, within the limits of sound business practices, remain competitive in prices, in product availability, in services and in other necessary ways. We recognize that turning down low-priced business that significant competitors are willing to take is often selfdefeating.

believes that satisfied customers constitute its best insurance of progress and growth. To this end customers and prospective customers will be welcomed at all times promptly and courteously, and will have their business needs and wants serviced efficiently, and to their satisfaction.

Our Company stands behind the products it markets. Product adjustment programs are in effect for the purposes of satisfying all legitimate product complaints and of retaining the future business of customers. Adjustment programs must be administered with these objectives in mind.

Advertising and public relations programs and activities will be designed and administered to present as a large, diversified, aggressive, progressive and customer-minded company serving the needs, in our fields, of the world. We will seek to set apart from, and above, our competitors in the minds and preferences of customers and the general public. We must continuously be aware of competitive advertising and public relations programs and trends, keep them under study, and be prepared to meet them as sound judgment and sound economics indicate.
must be over conscious of, and have under study and evaluation, new developments and trends in distribution and in marketing as a whole. It is realized that such developments and trends can be both a source of danger to present markets, methods and channels, and a fountainhead of opportunity for progress and growth. We must, at all times, be ahead of competition in the knowledge of such developments, and in taking first and maximum advantage of the opportunities they offer.

Costs of distribution rank as a major expense of doing business. Marketing, as a strong profit-making arm of the organization, has an obligation to study total costs of production and distribution and arrive at that balance between the components of total costs that will optimize the return on total capital employed.

Great opportunity for exists in attaining and maintaining marketing leadership within the markets we serve. Few industries offer such potential rewards for modern, enlightened, and aggressive marketing, as do the rubber, plastics and chemical industries. We must leave no gaps in our plans to attain leadership of our industries or in the actions needed to earn the rewards of that leadership.

Essential operating functions for successful decentralization include marketing, manufacturing and product development. Functions other than marketing, manufacturing and product development may be centralized or decentralized, depending on which approach offers the best balance of corporate advantages.
XI. ORGANIZATION MORALE

Teamwork and Cooperation: The ideas expressed in the documents on the mental conditions or feelings of individuals or groups in the organization toward the business organization.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>Cooperation is the medium through which all great accomplishments are attained. Success, ultimate and complete success, depends more on a spirit of helpful cooperation than on any other one factor.</td>
</tr>
<tr>
<td>120</td>
<td>We must all work together for the benefit of the company and the people who constitute ______.</td>
</tr>
<tr>
<td>11</td>
<td>The term &quot;cooperative relationships&quot; refers to the business dealings between and among divisions, departments, and individuals both inside and outside the company. The manner in which these relationships are conducted determines, to a great extent, the effectiveness and teamwork of the total organization.</td>
</tr>
<tr>
<td>208</td>
<td>Successful management of activities as diverse and decentralized as those of the ______ family demands a high degree of cooperation among all its members. Cooperative efforts and exchange of informed opinions and valuable data between parent company and affiliates and between different affiliates tend to make planning more effective, operations more efficient, and thus benefit the shareholders of all.</td>
</tr>
<tr>
<td>208</td>
<td>Teamwork of this character is just as valuable within a single company. Long experience has shown that group decisions</td>
</tr>
</tbody>
</table>
Examples of Differing Words and Phrases

are preferable for many reasons to decisions by an individual, no matter how competent he may be. Committees, conferences, and group discussions, under able leadership, bring out more significant facts and pertinent viewpoints and result in well-considered, farsighted decisions. While each part of the individual company organization devotes its primary attention to the field in which experience and training make it most competent, it also contributes as much as possible to the success of that organization as a whole.

Through the full and fair application of all ______ Policies, to develop "______ Spirit" in its interpretation within the organization.

______ Spirit has been a gradual but definite development from the very beginning; it has become engrained in the lives of ______ men and women, and needs no introduction or explanation except to those who are newcomers in the organization.

The great unseen and intangible powers of nature which have been controlled and used by man are unquestionably among the greatest influences which we have available for use today in our human undertakings. What we call "spirit" as applied to human activity, is one of those might unseen influences that make for victory, both in the pursuits of peace and in the tragedies of war. Without a real group or community spirit in commercial and industrial organization, cooperative effort would lack both the pride and the power of accomplishment.
<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Examples of Differing Words and Phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>&quot;_____ Spirit&quot; makes for production and progress and for the mutual prosperity of _____ men and their company.</td>
</tr>
<tr>
<td>25</td>
<td>_____ Spirit is a comprehensive vital force which finds expression in the practical application of policies built on a platform of Christian principles, in which selfish purpose has no place.</td>
</tr>
<tr>
<td>25</td>
<td>_____ Spirit combines in proper proportion a spirit of fairness, a square deal always, both in theory and practice; a big broad view of every problem, cutting out all narrowness and littleness; a spirit of unselfishness, of loyalty, of courtesy to and consideration for the other fellow.</td>
</tr>
<tr>
<td>25</td>
<td>_____ Spirit is, in fact, simply an exemplification of the highest standard of real American citizenship.</td>
</tr>
</tbody>
</table>
### Chart 20

**List of Twenty-Eight Respondents and Method of cooperation in the Study**

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Abbott Laboratories</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>2. Archer-Daniels-Midland Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>3. Armco Steel Corporation</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>4. Armstrong Cork Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>5. Boeing Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Campbell Soup Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>7. Carrier Corporation</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>8. The Continental Oil Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Douglas Aircraft Company, Inc.</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>10. General Mills, Incorporated</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>11. General Telephone and Electronics Corp.</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>12. The B. F. Goodrich Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>13. Handy and Harman</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>14. Inland Steel Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>15. International Business Machines Corp.</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>16. Johns-Manville Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Jones and Laughlin Steel Corporation</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>18. Litton Industries, Incorporated</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>19. Marathon Oil Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>20. Merck and Company, Incorporated</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>21. Monsanto Chemical Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>22. Olin Mathieson Chemical Corporation</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>23. Standard Oil Company of California</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Standard Oil Company (New Jersey)</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>25. The Standard Oil Company (Ohio)</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>26. Sun Oil Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>27. Thompson Ramo Wooldridge, Incorporated</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>28. Weyerhaeuser Company</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

1- Companies who replied to survey.  
2- Companies who were interviewed.  
3- Companies with whom correspondence was carried on.
SELECTED BIBLIOGRAPHY
Books


**Periodicals**


Doan, L. I. "Fundamental Role of Business is to Operate Profitably - Economic and Social Responsibility," Commercial and Financial Chronical, CLXXXVI (July, 1957), 286.


