

Better Management

GENERAL SESSION ADDRESS

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5. Better organization.
6. Better human relations.

Training

Training is a very popular word today. The variety of subjects range from human relations to management development and from job training to economics and creative thinking. The methods vary from on-the-job training to college courses, such as you are about to undertake. The most fundamental training is simply training a man for his job. This is a relation between the supervisor and his employee where the supervisor shows the man how to do the job, gives him an opportunity to do the work and then corrects his mistakes until he becomes proficient in his job. More and better training will improve efficiency.

Better Methods and Equipment

New methods and equipment are usually thought of first when increased productivity or increased efficiency is mentioned. I am sure that everyone here can give specific examples, but I wonder how many fully realize how these new methods and equipment are developed? New methods and equipment are usually developed by the operating men, the engineers, and the scientists; sometimes separately but usually together.

Sometimes the scientist doing pure research finds something new. He may seek the help of the engineer and operating man to find out how the new materials or new principles can be used. Often the new ideas are not exploited until the engineer recognizes that they may be used to solve some problem of the operating man. In this way the engineer serves as a bridge between the operating man and the scientist.

More often new methods and equipment arise from the need of the operator to solve a problem. This method requires an open mind and an inquiring mind on the part of the operator and engineer. Keep asking yourself how things can be done better. Recognizing the problem is half the battle in solving it. The operator may recognize a problem and solve it without help or he may call on the engineer to provide the answer. The engineer may recognize the problem and solve it alone or with the help of the operator. If a solution requires further research the engineer may pass the idea along to the scientist. The development of new methods and equipment can be best accomplished by cooperation among the operating man, the engineer and the scientist. We must not forget the important part of the equipment salesman in promoting new ideas, recognizing problems and serving to take ideas from the field to the equipment manufacturers.

Ideas and Imagination

Probably the most fruitful means

of improving operations lies in the realm of ideas and imagination. One good idea applied to your operations can repay your salary many times over. The operating man is fortunate in working at the place where ideas are born.

Better Planning, Execution and Control

Efficiency can be greatly improved by planning. Do you plan each day what you are going to do and what each man working for you will do? You have all seen the waste that occurs when a man works only part of a day because his supervisor did not make plans that would keep him busy. Consider not only your men but the most effective use of your available equipment.

Plan your work ahead and then forecast the cost. Try planning and forecasting for a week, then a month, then a year. You will be surprised at the saving and how much easier your work will be.

When you start longer range planning you will automatically consider how you can permanently rearrange your work. In other words you develop new methods and procedures. Consider how work can be divided so that each man does only one type work.

Execution or directing consists of making decisions, communicating the decisions to the parts of the organization where the job is done, and of inspiring the employees with the desire to carry out the decisions and accomplish the objectives.

Snap judgments and one-man decisions should be things of the past. Good decisions are those that are self-evident because the matter has been thoroughly analyzed at each management level as it has worked its way up through an organization structure. Good decisions combine the analysis of the staff expert with the experience of the operating man. The line supervisor should give every possible value to the information of the staff specialist but should not allow the expert opinions to become decisions automatically without checking.

We hear a great deal today about communications. Decisions are valueless until they are communicated to those doing the work. Decisions are very often ineffective unless those doing the work have contributed to the information on which they are based and have participated in making those decisions or the objectives back of the decisions. The best communications are built on knowledge, understanding and confidence. If we err in any direction, it should be in giving too much information. Good communications can be built only over a period of time in which there is a display of mutual confidence and honesty. There is little need to give orders when the people doing the work have a full knowledge of the problem and have participated in working out the solution to it.

This meeting will be so deeply involved with technical subjects that it seems only proper to give you an antidote before you begin by talking about non-technical matters. As I understand, the purpose of this meeting can be summarized by saying that you want to learn more about lifting oil so you can develop ways of lifting oil more cheaply and more efficiently for your company. At least everyone here is interested in some manner in doing the oil lifting job more efficiently and at less cost.

I am going to use this thought as a point of departure. I am going to take you deeper and deeper into the "whys" and "wherefores" of efficiency, other means of improving efficiency, and finally into reasons that business in the United States has become increasingly efficient and has contributed so much to this country. This is a hard trip and an unusual one for this type meeting. I approach this job with some fear but with great hope that I can convey my ideas to you and that you will feel rewarded.

Why Be More Efficient

The first questions are:

1. Why should we learn better methods?
2. Why should we become more efficient?
3. Why should we progress?

Philosophically we cannot stand still; we grow or die; we improve or perish. More practically, our ability to do things better increases the standard of living of all of us. This increase in productivity or decrease in unit costs to be equitable should be shared by the consumer, the workers and the people who put their money into business.

The economic history of the United States has been one of building newer, more and better things more cheaply. The oil industry is presently faced with rising costs, first because of rising costs of labor and the things we buy and, secondly, because oil is becoming more difficult and consequently more costly to find. The only way to offset these rising costs is to find more efficient and better ways to do things. A company that is not constantly seeking to reduce costs and become more efficient will gradually fail to perform as well as its competitors and will gradually die. The cost of lifting oil is one major field in which there is an opportunity to cut costs.

Ways To Increase Efficiency

There are many ways to increase efficiency and thereby reduce costs. You are engaged here in one method which could be classified under training. I will not attempt to list all of the ways of increasing efficiency, but a list should include:

1. Training and education.
2. Better methods and equipment.
3. Ideas and imagination.
4. Better planning, execution, and control.

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.

Another phase of management that has contributed much to the economic success has been the means of collecting information to see that the job is being properly performed and to provide a basic planning. This function is normally called the control function and is directly related to planning. Control begins as soon as planning with the determination of objectives, programs, and profit goals. The second step is determining the procedure of doing the work. The third step is obtaining data on the progress of the work and appraisal of the performance. One of the best management tools is to determine where progress has deviated from the plans already set up: The cycle of control is completed with the planning function again coming into play by using the information obtained from progress reports.

Organization

The best organization is merely arranging the work to get the job done in the best and simplest way. The organization should be built around the job that is to be done. This first requires that you know your job, what you are responsible for and what authority you have to do your job. You need to know three relations. First, the relation with your supervisor, second, with your employees and, third, with your related coworkers.

Probably the newest concept in organization is that it should be based more on democratic principles. By democracy we mean that more people must be given an opportunity to contribute their knowledge and experience to the solution of a problem on each level of supervision. Decentralization of authority and responsibility seems to be the current trend in many large companies. Some of the objectives of good organization may be summarized as:

1. To encourage individual initiative and create a sense of individual responsibility.

2. A job must be clearly set out as to exactly what the man filling that position will do. In doing so, he must have just as much, no more and no less, responsibility as goes with his task and should have just as much authority as goes with his responsibility.

3. Another objective of organization is to see that each decision is made after full consideration is given to all operating, technical, human, economic and political factors which may bear on the problem.

Each employee should be given the fullest opportunity to contribute his knowledge and experience. Provision should be made through individual discussions or meetings to work out the best solution possible for each particular problem. These objectives can be accomplished by:

1. Placing each function or job with the individual or group which has the

most knowledge of the matter and the most skill in applying that knowledge;

2. Provide a specific place for the initiation, direction and control with respect to each function and each level of organization; and

3. Provide for the flow of enough information upward from the various points of action so that management may measure the progress against the planned objectives and secure information for the preparation of new plans, objectives and policies.

Human Relations

One of the best methods of increasing efficiency is in the field of human relations. Perfection in all the other factors can be attained but unless there is some spark to create morale to make the group work together, the group will not reach a high peak of efficiency. Business is just beginning to make progress in this field. I would like to present my ideas of what must be the basic principles in this field.

(a) Christianity and Democracy.

Probably the keynote of human relations can be expressed in the two words Democracy and Christianity and, of course, Democracy is a direct growth from our Christian concepts. The same factors of Democracy and Christianity that made rapid economic progress possible are still the guiding principles for the improvement of business management.

(b) Dependence on People.

The idea that business is impersonal is a fiction. In business as elsewhere we deal with our fellow man; we depend upon one another; and we are conscious that men are social creatures, sensitive to consideration of pride, achievement, desire for esteem and affection, and many other drives that have no relation to economics. Likewise, people have a conscience and a sense of justice.

(c) Basic Needs.

In our feeble efforts to make progress in human relations we have borrowed primarily from the psychologist and sociologists. The psychologist in studying the broad drives which affect behavior has listed these four features:

- (1) Sense of dignity.
- (2) Esteem of others.
- (3) Instinct for survival, and
- (4) Security.

Our quarrel with communism comes primarily with the attitude toward these basic drives or freedom for man to attain them. We feel that man has certain inalienable rights and certain freedoms and that the state must be a servant to man, whereas dictatorships as expressed today in communism make the state all-powerful and the man a slave to the state with no opportunity for realization of his needs. A society which meets these basic needs will flourish whereas one which ignores them must surely perish.

(1) Dignity of man.

Probably the most important element in human relations is the recognition of the inherent dignity of man. The first demand is that they be treated as human beings, not like machines. Each of us has a conviction

that we have certain basic human rights which others must respect. The sense of dignity is also connected with self-esteem, which is related to the seeking of self-expression, opportunity to advance, success in one's endeavors, and the satisfaction of attaining a useful place in the world. In respect to human dignity, it is necessary that each worker be put on the best job for which he has aptitude. An effort should be made to assist a worker that has a personality problem, that may be maladjusted, unhappy and inefficient on the job. Procedure should exist that would encourage workers to discuss their grievances and have methods to adjust such differences. Educational programs may also assist in sustaining their sense of dignity by self-improvement. Unless management itself is infused with an attitude of respect for the dignity of fellow workers, then it becomes extremely difficult to communicate or direct their work.

(2) Esteem of Others.

Our need for the esteem of others is evidenced by craving recognition and by having confidence that we will be treated like human beings in all relationships. Esteem is related to the opportunity to achieve and create which develops self-assurance and a feeling of real ability. Self-esteem is founded not only upon an inner conviction of worth, but by recognition of that worth that is given by others. We hear a great deal about improving communications. Esteem can be shown when workers are continuously informed about the company's plans and problems, particularly when they are told about the problems in advance and asked their views or possible solutions.

(3) Instinct for Survival.

In the instinct for survival, self-preservation is considered a fundamental in the nature of man. This is related to our concept of the sacredness of human life derived from man's spiritual nature in his creation by God. This is related to business in the necessity of a man being able to earn a wage large enough for the man and his family to live as becomes the human being.

(4) Security.

During the past few years we have heard a great deal about security. Probably the most secure place imaginable is in jail, but in attaining that security we give up our freedom. In seeking security, beyond all other elements, we are in danger of giving up our freedom. Real security can come only if we have a growing and prosperous economic system with a high degree of employment. Our record of increasing productivity is a record that also means increased security. If business can convince workers that higher productivity is beneficial to them and the whole nation, and if we can keep the elements of our culture that will encourage the growth that we have had in the past, we can look forward to security and an ever increasing standard of living for all.

Economic Progress In The United States

The final phase of this discussion

concerns the basic reasons that business has become increasingly efficient and has contributed so much to this country.

In order to provide background and perspective for determining the causes and magnitude of our economic progress, I would like first to go back approximately 300 years to the beginning of our present economic system.

(a) Increased productivity.

The past three centuries have witnessed a rate of economic development in the western world which, when measured by any standards we may choose, almost certainly exceeds any other period of equal length in human history. Probably the only period that approached this increase in productivity was back during that dim era when agriculture was invented and the civilization changed from nomadic tribes to an agricultural civilization.

We have become so accustomed to this rapid progress that we are very likely to take it for granted and in so doing may endanger its very existence. We forget too easily how our ancestors fought against great odds to establish our way of life. If we are not willing to take the time and effort to think through some of our present-day problems and do not have a sense of responsibility strong enough to make us fight for what we believe is right, we will stifle progress and then lose our freedom.

A more surprising trend is the fact that during the last hundred years our productivity is increasing at an even more rapid rate. Although productivity increases very widely by industries, economists have given these approximate figures:

During the 30-year period, 1850 to 1880, productivity per man hour increased about 1 percent per year.

The next 30-year period, it increased about 2 1/2 percent per year.

The next 30-year period, 1910 to 1940, it increased at the rate of 2 3/4 percent, and during the 10-year period, 1940 to 1950, it increased at the rate of approximately 3.4 percent.

Our standard of living is higher than any other nation's and we are the first nation to essentially banish poverty.

The history of civilization reveals that it is perfectly possible, indeed easy, to dry up the springs of progress in a society and that all past civilizations have eventually done just that.

(b) Economic system is part of our culture.

Next, let us examine the question of why our economic institutions or businesses have been so successful.

The success cannot be attributed to the business or economic institutions alone because we have had trade, business and commerce through untold centuries but never has it flourished as it has today. Previous failures can be attributed to change in government, arbitrary laws and regulation, taxation, restrictions of people entering business, monopolies granted by governments, or lack of acceptance or participation because of customs or religious practices.

New regulation of business, progressive and increased taxation, and restrictions on business and people are constantly being proposed and enacted today. Some of this is contrary to our principles and therefore harmful to our future progress. We all have a responsibility to analyze these actions and vigorously protest the harmful ones. If we do not accept this responsibility our system will gradually disappear. The disappearance will be so gradual that the damage will be done before the general public realizes the situation and irreparable harm will be done before corrective action can be taken.

It cannot be natural resources alone, because many countries have natural resources equal to ours, and many undeveloped countries have ample natural resources. An example of this is the manner in which the Puritans were able to wrest a substantial standard of living from the cold, bleak country of New England, whereas the Turks destroyed a civilization that was rich in natural resources. So many factors are involved that we must assume that the whole culture affects economic progress.

(c) Religious contribution.

If we admit that culture as a whole is responsible for economic progress, then we must examine the influence of religion because that is the most important element of any culture. Religion sets our pattern of life; our wants, work habits, our family life, and our code of ethics.

(1) Change.

The primary essential to economic progress is change. Economic progress is not possible without change or innovation. In older civilizations, or even in some present-day countries, son lives like father, without change, and so-called traditions or caste systems prevent individuals from becoming anything other than that permitted by the class into which he is born. There is no opportunity for innovation or new ideas. The economy is essentially frozen. We also have an ever-present danger of freezing our economy through taxes and regulations that prevent freedom of action or decision, or freedom to develop. Although we take change for granted, the elementary idea of change is not understood by many peoples. A few months ago, an exchange student from India said that the most amazing thing about this country was our desire for change. You may ask what this has to do with religion. If we will look back these 300 years, we will see that our country was born during the greatest religious upheaval in history. This was a period of change, or innovations in that an individual was given the right to worship and adopt the religion of his choice. Our country was largely populated by refugees seeking religious freedom and change from existing conditions. In other words, their very life was change, and they were willing to leave old countries in order to promote this change.

(2) Individual responsibility or initiative.

Another concept of those changing

times gave us our individual responsibility or individual initiative that is so important to free enterprise. This grows out of the concept that the individual is responsible for his own salvation, his own faith, and his own religious worship. It gave a religious base to individual responsibility and integrated that individual responsibility into our culture.

(3) Perfectionism.

Another religious concept that is important in our free enterprise system is the concept of perfectionism. Through the religious concepts of perfect love, perfect faith, and a refusal to compromise, we have developed a desire not only for a more perfect spiritual life, but this apparently has influenced our efforts to develop better or more perfect physical things. Religious concepts developed during this period of change required that the life of a Christian be led in the everyday working world. From this, the concepts of thrift, hard work, sobriety, punctuality, honesty, and fulfillment of promises were made a part of our everyday life. We take this so much for granted we are not aware that in many countries these same qualities are not a part of the everyday life of their people. These qualities are the same ones that inevitably lead to an accumulation of wealth or capital, increased productivity and, therefore, to an escape from poverty.

(4) Stewardship and Charity.

Another concept of importance in our culture is the concept of stewardship and charity—giving more than you get. Many countries operate on the theory that there is only a given amount of wealth, and that individuals grow wealthy by taking it away from other individuals. In other words, there is only a fixed amount of wealth, and whoever gains someone else loses. Our concept is that by adding something, a new idea or a new process, new wealth is created so that everyone is benefitted and the individual does not accumulate wealth at the expense of others, but conversely, by developing something new he has actually increased the wealth of other individuals.

(d) Economic System fails in other cultures.

This analysis makes it clear why it is so difficult for our methods to succeed in so-called underdeveloped areas and why our program of foreign assistance has been partly unsuccessful. Many of the nations we are helping do not have a culture that is conducive to our type of economic progress. This is also the reason that we often hear statesmen and businessmen proclaim that religion or a revival of religion is so necessary to the preservation of our country or our way of life. There are many elements and principles that do contribute to the success of our country and to our economic system. Each individual must assume a responsibility to know these essential elements. Each individual must be ever watchful and active to see that we do not destroy the elements in our culture that encourage progress.