

The Now Generation and A New Concept In Management Organization

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Seventy-five years ago the large corporations were owned by individuals, sometimes eccentric, who managed them in an authoritarian manner. During this period the companies they owned and managed took on the character of the people that managed them. In the intervening years this situation has changed and corporations are now operated and managed by people who have little or no ownership in them. These companies have changed organizationally from rather simple structures to complex multi-functioned ones. They have become, since World War II, much more sophisticated and technology-oriented, requiring large capital investments for machines and devices highly technical in character. The products of these companies in many instances have grown more complex in nature, requiring skills and knowledge undreamed of prior to World War II. Our society in the meantime has changed drastically. The median age of the population has dropped to somewhere between 25 and 28. Finally, there has been a large expansion in enrollment for higher education. In short, the average person of today is younger, much more educated, much more sophisticated and much more receptive to complicated technical concepts. The population may be characterized as young, questioning, demanding and sophisticated.

This change is bringing youthful perceptions and new concern to basic values. Young people have a consuming passion to make wheels turn, to go somewhere; their discontent with things as they are is not wrong to them. They show an original point of view and a highly sensitive appreciation of human values. These are not qualities to be condemned but applauded. They have a feeling for those who live outside the benefits of abundance and for those who have less liberty than they have. This to them is merely giving expression to the highest ethics taught but not always practiced by all the great religions. It is the legitimate aim of young people to make the future so attractive that older people will wish they were going to be there. The words

"freedom" and "right" have vivid meaning for young people. They think in terms of Pistol's boast in Shakespeare's The Merry Wives of Windsor—"the world is my oyster which I with sword will open". This self-assurance is diminished when they find that even adults, free as they are, are limited by law and custom and conscience or in business by organizational constraints.

Increased numbers of people have spawned more companies and bigger companies, marketing more lines of products and services to more sets of markets. The emergence of the multi-product lined technology-based conglomerates of today has made the need for new and better methods of management more immediate. The increasing number of young people entering into the employment and management of these companies has leavened the problem of organization and management. The old concepts of functional organization are by necessity being phased out, particularly in the large multi-divisional corporations. The rapidity of technological change (automation, electronic data processing, and the like) since World War II, as compared with all of history before that time, is so much greater that the problem of organizing may well have changed in nature from one of adjusting organizations to meet present conditions (maintaining "equilibrium") to one of adjusting organizations to meet future (possibly yet unknown) conditions (maintaining desired "dis-equilibrium").

Rapidly increasing knowledge from the behavioral sciences about human relations and human behavior demonstrates that organizing is far more complex than a mechanical or engineering problem of structure. The task of organizing must also take into account the constantly shifting dynamics of interpersonal relations and the informal power structure. The change in the proportion of blue-collar, relatively low-educated persons in the work force, toward more white-collar, higher educated persons results in a work force that is more concerned with how the or-

ganization affects individuals, and requires more complicated methods of motivation.

Numerous and diverse elements of today's multi-product company makes it difficult—even impossible—to centralize authority and decision-making. Client-associated events happen with such rapidity that decisions must be quickly made, sometimes at the salesman-client level. All activities must be guided by policies which allow independent action but establish guidelines. The high speed communication systems of today permit an interchange of ideas, problems and activities at speeds which were unheard of even a decade ago.

Whereas Frederick Winslow Taylor in his "Scientific Management" concerned himself primarily with increasing the productivity of manual work, today's business organization must concern itself with human social values; in fact, our society is rapidly becoming one of organizations. Therefore, in business enterprise the attainment of the quality of life will have to be (a) considered a business opportunity, and (b) converted by management into profitable business. This will apply particularly to fulfillment of the individual. It will increasingly be the job of management to make the individual's values and aspirations redound to organizational energy and performance. It will simply not be good enough to be satisfied—as industrial relations and even human relations traditionally have been—with the absence of discontent.

Today's management task is to make knowledge more productive. The basic capital resource, the fundamental investment and the cost center of a developed economy all rest in the application of knowledge; that is, in concepts, ideas and theories rather than in manual skill or muscle. The process of making ideas and knowledge productive has brought changes in job structures, careers, and organizations. This has brought about a rather subtle change in the position of authority within the company. Since the knowledge-worker must himself be able to plan.

Means for rewarding innovators and creators must be conceived and put into practice.

WHAT IS ORGANIZATION?

Webster's dictionary defines organization as being "the executive structure of a business; the personnel of management". Harvey Sherman, in

his book It All Depends, states "There are almost as many definitions of organizations as there have been writers on the subject. Early writers in the field of management tended to stress formal organization structure and its use as a tool for achieving coordination and control. More recently the emphasis has changed toward regarding organization as a social system with an interest to reformation as well as formal relationships among members of the organization. Most definitions, however, regardless of where the emphasis is placed, see organization as consisting of some five elements. Grouping of activities, accomplishment of objectives, structure for coordination and control, people, and relationship among people and groups of people." He further states that he finds it simpler to define organizing than organization. He concludes this because he can thereby avoid the often used meaning of organization as being synonymous with enterprise; the company or agency. He prefers to think of organization as being the noun which results from the process of organizing. He concludes that a very simple definition for organizing is "dividing up the work". "The definition is simple—the process is not," he further concludes.

TYPES OF ORGANIZATION

The earliest and simplest type of organization is the "line organization". It is still found in many small businesses. Figure 1 illustrates a typical line organization. The "functional organization" is an ideal or theoretical type which has never been widely adopted in its pure form but which has influenced practical organization structures, particularly over the past twenty years (Fig. 2). "Line and staff organization" is a combination of features of the first two types. Some form of it is now generally used by medium and large-sized business establishments. In the line (scalar, or military) organization, authority is passed down directly from the general manager or boss to the various subordinate executives in charge of particular activities and from them to lower level supervisors who in turn direct the workers. The flow of authority and instruction can be passed in an unbroken line from the manager to the worker. This type of organization is so familiar that a list of its advantages and disadvantages need not be made here.

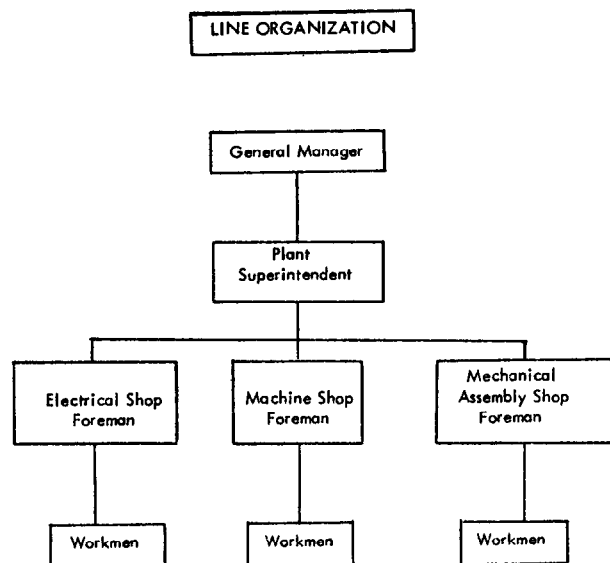


FIGURE 1

Near the turn of the century Frederick W. Taylor developed the "functional organization" (Fig. 2) to help overcome the difficulty of finding supervisors who could successfully carry out all the diverse duties of foremen in line and organization. The functional organization divides managerial activities so that each head, from the assistant superintendent down, has as few functions as possible to perform and is able to become a specialist when this authority from the top down is delegated according to the function. This type of organization has several serious disadvantages primarily those attributable to the division of authority and the difficulty in fixing the responsibility for poor performance. Because of these disadvantages the purely functional organization has never been generally adopted. Nevertheless, modern organization structure uses the principle of functional specialization when it establishes staff or functional service departments.

The basic organization adopted by Dresser is the purpose or product type with a clientele pattern. It was chosen because of the following advantages:

1. Second level executives get broader experience and therefore, other things being equal, are better qualified for promotion than specialists in particular processes of functions;
2. Employees have a broader view of the end product and may see how their own

work fits into it;

3. Good public and client relations are easier to maintain; and
4. It also positions the entire organization nearer the market place.

THE DRESSER ORGANIZATION

To provide for efficiency within the previously discussed new complex environment, Dresser Industries has restructured its organization, combining operations that have similar marketing, manufacturing and technological requirements into four organizational groups. (See Fig. 3). In order to place Dresser Corporate Management closer to the administrative needs and marketing problems, two sub groups have been formed, each reporting to a Dresser Executive Vice President. These groups market a diverse type of products ranging from hand tools and refractory materials to giant compressors, television towers, heavy machinery and petroleum supplies and services.

It is obvious that finding solutions to the complex marketing problems encountered in the normal conduct of these businesses require unique new concepts in management and organizational hierarchy. How this has been accomplished will be further described in the following discussion.

THE PETROLEUM AND MINERALS GROUP ORGANIZATION

One of Dresser's largest groups is the Petroleum and Minerals Group. This group markets

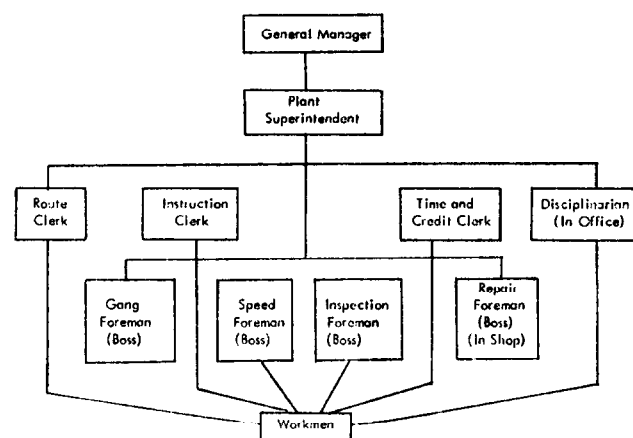


FIGURE 2

Functional Organization.

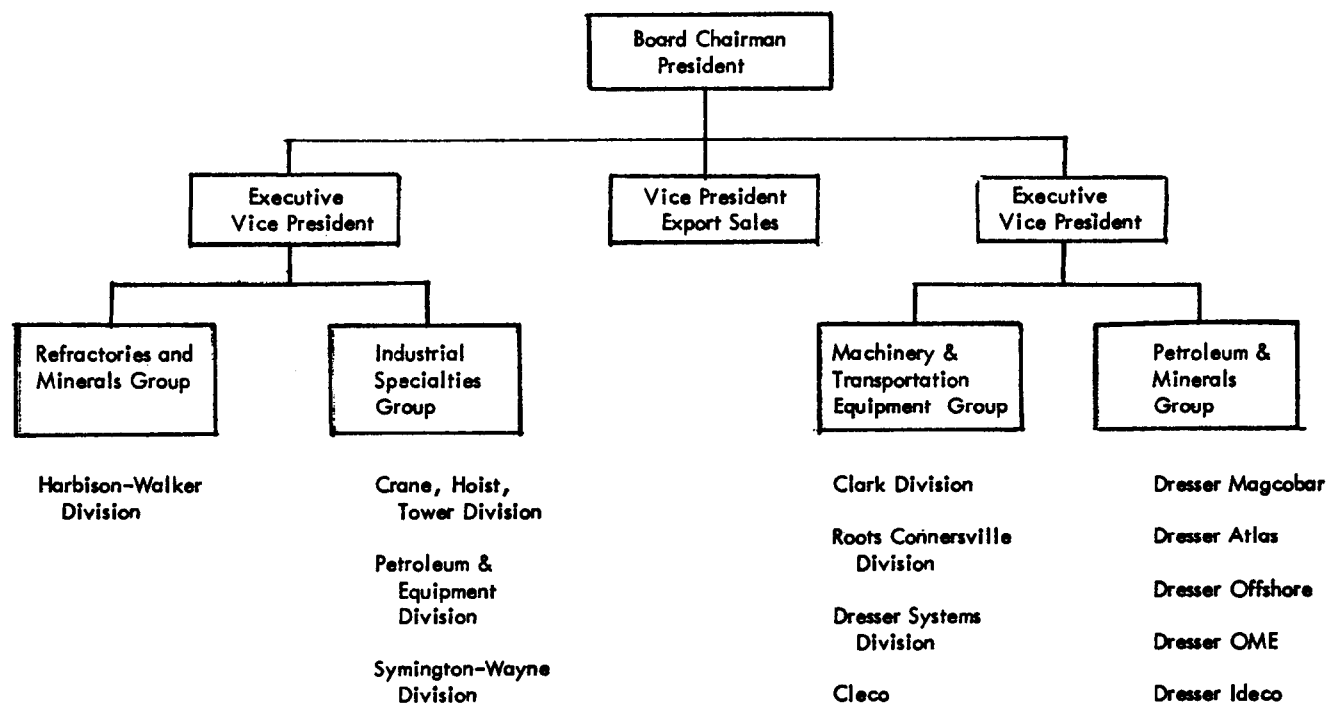


FIGURE 3
Dresser Industries.

products and services to the petroleum and mining industries. It is comprised of five separate divisions, each with separate management, but all reporting to the same group manager. (See Fig. 4). Within the divisions of the group there are further divisions by function. These sub-functions are so arranged that the responsibility and authority for decision are as close to the action as possible.

It may be readily concluded from the above remarks regarding organization, that a basic and revolutionary change in organizational structure would be difficult to accomplish. It is the manner in which the Petroleum and Minerals Group organization is structured and managed that is unique. In this group, each division in effect becomes a marketing system; each has the function necessary to carry out its own unique business.

The definition of a system; i.e., "a complex unit formed of many, often diverse parts subject to a common plan or serving a common purpose" aptly describes the basic objective of the Petroleum and Minerals Group organization. Here the aim is to move the organization down into the

market as far as is possible, thus allowing each separate company to be closely tuned to the needs of the client and to find ways in which these needs may best be satisfied.

Common functions normally associated with any business enterprise have been grouped together and placed under the management of the group manager. In the case of the Petroleum and Minerals Group, which is typical, data processing, accounting, personnel, public relations; all report to the group management. Thus the common criticism of the clientele or market oriented organization regarding duplication of functions is avoided.

THE DRESSER ATLAS ORGANIZATION

Dresser Atlas, a division of the Petroleum and Minerals Groups, markets electrical, radio-activity logging services, and perforating services to the oil industry. It is comprised of 4 areas and 100 regions and locations. It conducts its business in the U.S., Algeria, Argentina, Brazil, Canada, France, Germany/Holland, Libya, Peru, Tunisia and Venezuela. In addition, in Canada pumping

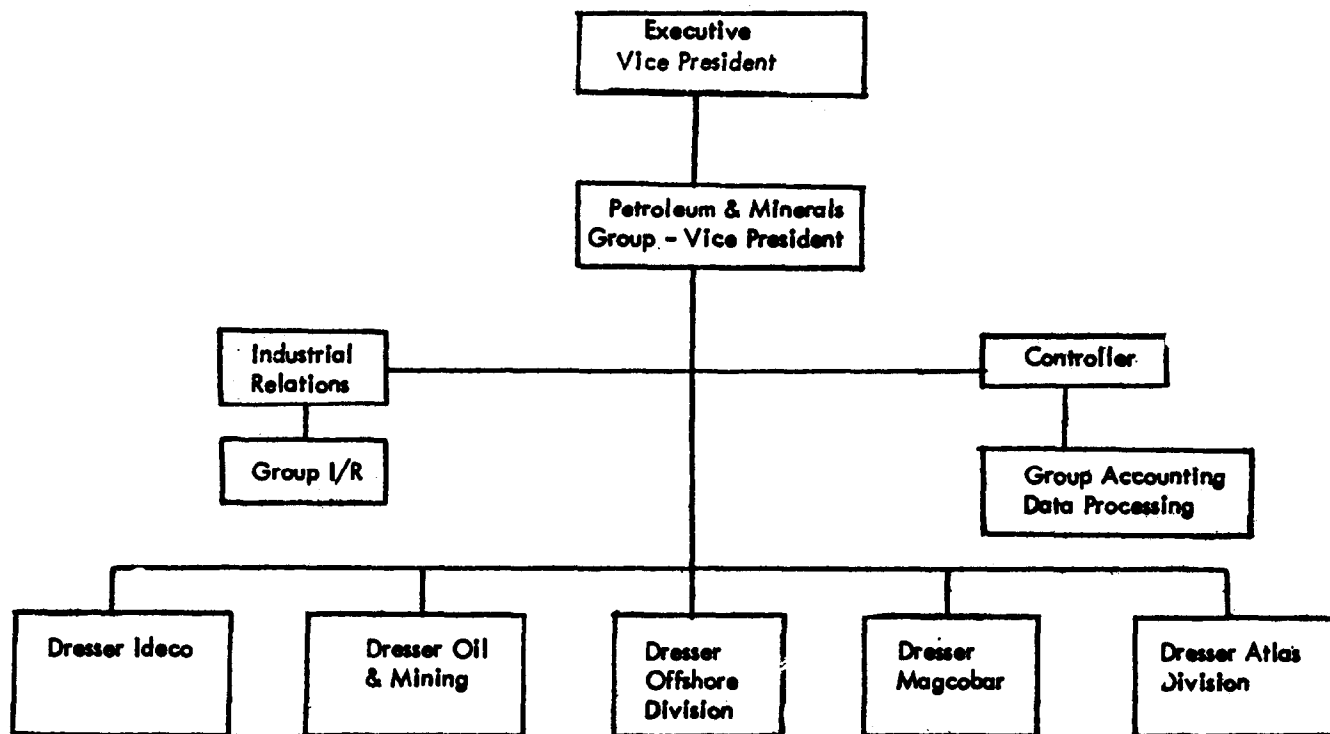


FIGURE 4
Petroleum and Minerals Group.

and workover services are also maintained; workover services are also provided in Argentina. It may be readily observed that its operations are far-flung and world-wide. Important decisions must frequently be made in remote areas far distant from headquarters management in Houston.

Figure 5 illustrates the Dresser Atlas organization. The way it is organized, the policies and procedures, the delegation of authority and responsibility, the requirements as regard operating efficiency, etc., found and employed within Dresser Atlas are typical of the other divisions of the Petroleum and Minerals Group. Therefore, the balance of this discussion will deal with the Dresser Atlas Division, its organization and its managerial procedures.

The services marketed by the Dresser Atlas Division require sophisticated and complex electronic devices.

The people that manage the Division, along with those that design, operate and maintain equipment must be well educated, highly trained and skilled. This also applies to the people who sell the services resulting from the operations

performed with this equipment. Further, in order to create a growing business enterprise, careful strategic planning is required. The young are finding their way into our organization in increasing numbers. These creative young people who have been employed to perform these vital and basic functions require a voice in the affairs of the company, a means for expressing their ideas, criticisms and recommendations. The organization must have a vehicle for receiving and utilizing this knowledge. This requires that the upper management of the division keep on the move. It cannot remain static, waiting for the action to come to it. It must find the action and be a part of it.

In Dresser Atlas, this essential requirement of today's business enterprise is provided through special methods of written communication which have been found so important that they have in some cases become policy to the organization. In addition, special meetings are scheduled and routinely held throughout the year. They are carefully designed so as to include and involve all levels of first, second, and third echelon man-

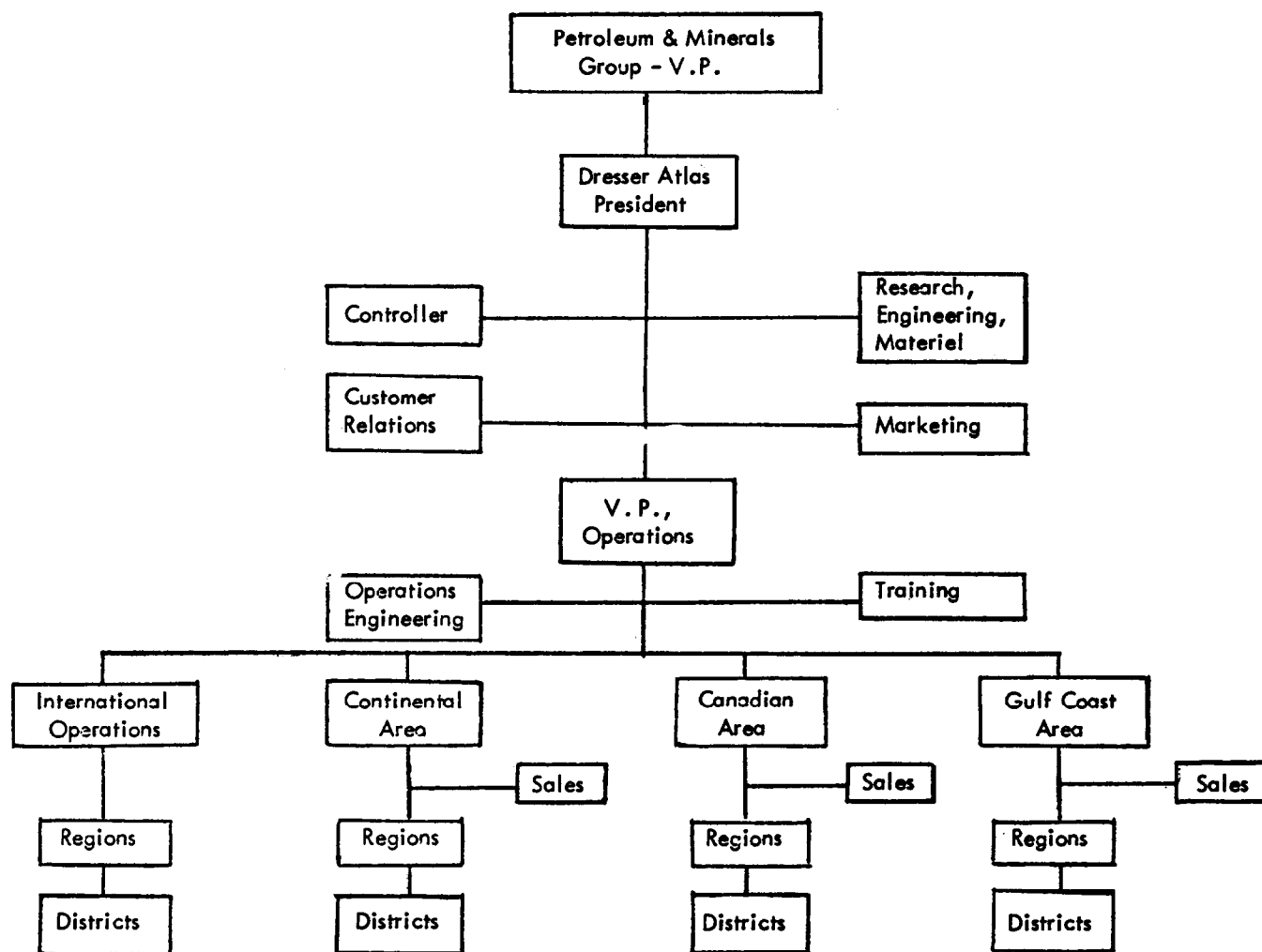


FIGURE 5
Dresser Atlas Division.

agement. Here upper management, in an open and free environment, solicits criticism, recommendations, ideas and new knowledge regarding all facets of the company. Problems involving personnel and their working society, in particular, are sought out in these meetings.

The electronic and mechanical equipment utilized in the conduct of Dresser Atlas business, though costly, complex and sophisticated, must always be improved upon. A special policy regarding engineering equipment modifications has been written and is regarded as being so important that it finds a place in the Policy Manual. It is freely used and represents a means for constructive equipment improvement suggestions to reach the Research and Engineering De-

partments for action.

Competition in the markets served by Dresser Atlas is keen, requiring new concepts, instruments and products to assure that the best ideas from the organization are brought to bear against the competition. Any and every person within the company may recommend an engineering project. This is accomplished through an Engineering Project Request procedure which is also supported by a formal policy.

The imperative strategic planning of today is attained through a special Planning Group. The Planning Group is made up of both line and staff members, with the President as Chairman. It meets regularly, at which time an agenda is provided. Discussions regarding the

future of the company are free and relaxed. Recommendations concerning the future of the company are decided upon. These plans may relate to any area of the organization. Major sales and operating problems are also discussed; the best solutions found by the group are presented in written form to the President for review and transmittal to the appropriate department.

Means for growth either through internal expansion or through acquisition also are considered by the Planning Group. In these meetings no distinction is made between line and staff members. The suggestions, thoughts, judgment and opinions of any one member has as much weight as any other.

An employee suggestion system which reaches down to the lowest employee level in the company is in effect and active. This system rewards the contributing employee with a cash remuneration proportional to the importance of the suggestion. The suggestion is received and the reward granted by an Employee Suggestion Committee which is made up from members of first and second echelon management.

Along the same lines, an active cost reduction program has been designed primarily for the factory.

Wages and salaries are carefully monitored and administered to assure equitable and competitive remuneration at all levels in the organization. Individual employee performance is reviewed at intervals established by the Petroleum & Minerals industrial relations group, which maintains a staff of experts whose broad perspective is applied to the task of adjusting pay and fringe benefits for the company as a whole and for deserving individuals in particular.

Rewards are also granted for patents and published papers.

Where individual contribution can be measured, incentive reward is provided. Where it is difficult to measure, as in some organizational divisions of Dresser Atlas, such as Research and Engineering, incentive is provided for the successful completion of a project. The manner in which this fits into the organization is depicted in Figure 6.

Thus, through careful organization struc-

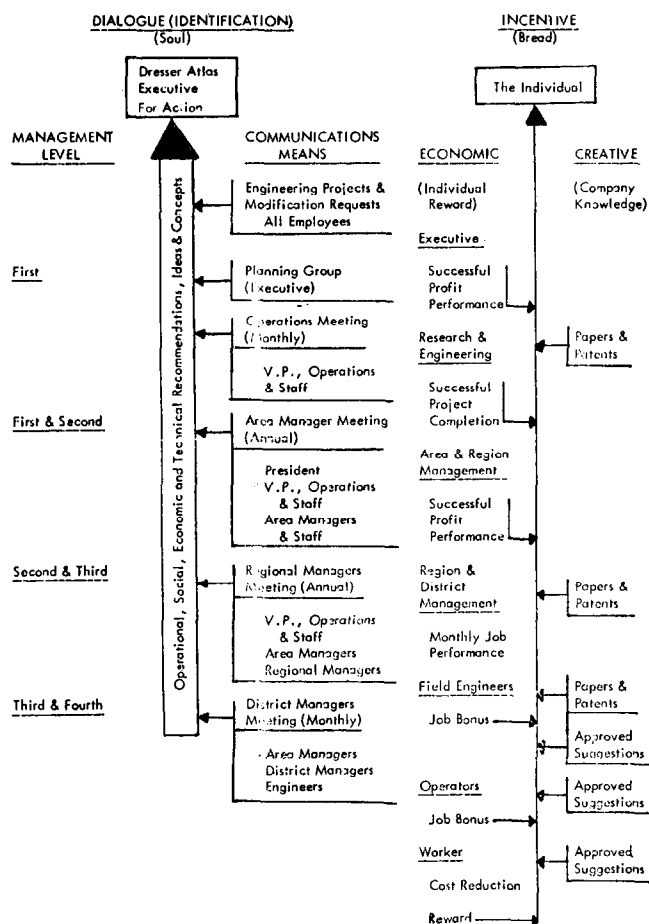


FIGURE 6

Communications and Incentive.

ture, management control systems, face-to-face meetings, and carefully thought out policies and procedures, the social and psychological needs of the people who make up the Dresser Atlas organization are satisfied, as well as those of the Petroleum and Minerals group. Through strategic planning, a vital organizational element, the economic requirements are satisfied. The demands of the "Now" generation for identification, creative contribution and recognition as individuals are satisfied. The financial reward requirement for the individual has also been satisfied through carefully designed constructive salary and incentive programs.