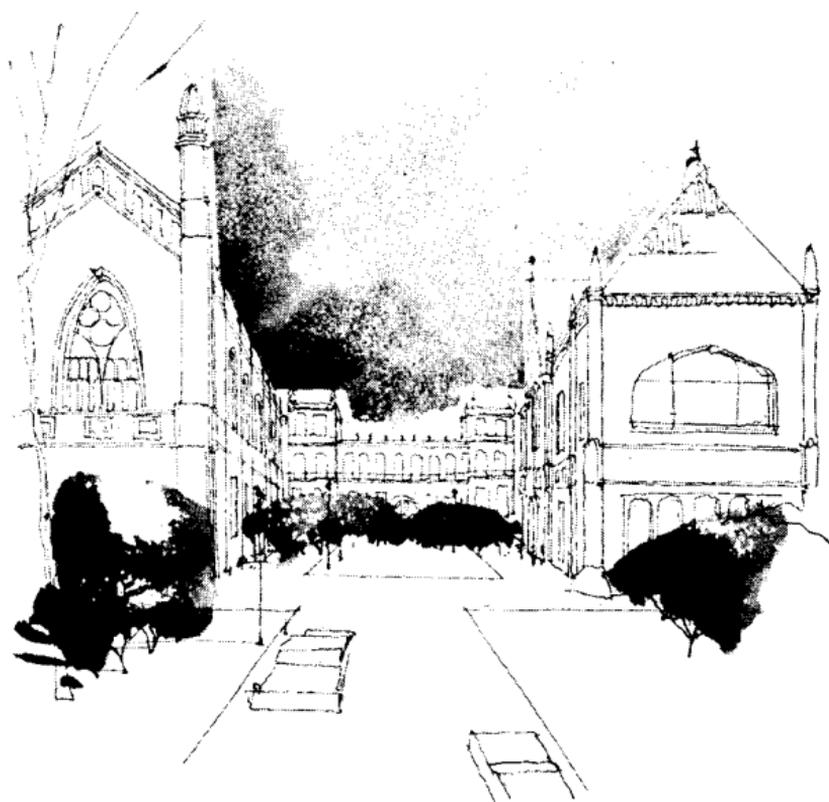


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# Are People Really Important in Business?

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## Are People Really Important in Business?

**ARE PEOPLE** really important in business? You executives would naturally expect a psychologist to say, "Of course, people are important!" Then you would expect a sermon on why you should be nice to them. Certainly this approach would be consistent with the stereotyped view of the human relations school—a view which psychologists have long been accused of supporting. This school's philosophy, I have often been told, includes the view that "The purpose of business is to make people satisfied." Critics of the human relations school assert that the purpose of business is to make profits. I have never quite understood the latter position as a criticism of the first, unless its proponents believe that the purpose of business is to make profits and to make people miserable. In this instance people *would* be important in business, if in a way that few executives would dare admit. Certainly the day of "the worker be damned" as a management philosophy is long dead.

On second thought, perhaps it is not as dead as we believe. Perhaps its death, like Mark Twain's, has been reported prematurely. Perhaps it still affects the thoughts and actions of businessmen, in disguised form. Is that possible, in this enlightened day and age? If we examine current business practices will we find evidence of its continued existence?

Rather than bore you by reciting incident after incident from my corporate experiences, I shall tell you of a company about whose existence I learned in a strange way. I dreamed about it.

The dream opened in the board room of a large, diversified company. Discussion focused on the low return on investment from a part

of the business whose products were manufactured in one plant with 2,000 employees. The board decided to close the business and invest the funds to yield something closer to their stated minimum objective of 18 per cent.

My next vision was of the plant's employees, including supervisors and managers, meeting to discuss their future. They were pretty discouraged. There were no other large businesses in the town. Faced with the threat of a long period of unemployment and readjustment, they decided to buy the business and run it themselves. They did so, with the help of a foundation grant. (You can see how my dream world operates! We professors have come to believe that one can get a foundation to fund almost anything.)

The employees agreed on two basic company objectives: (1) to provide stable employment at the best possible wages for all 2,000 of them; and (2) to provide working conditions, both physical and psychological, which recognized and enhanced each employee's value as a human being. They agreed that security was most important, so nobody was to be fired except for dishonest or immoral acts, and then only after a fair hearing before the other employees.

The second objective—job satisfaction—was raised by one of the managers and acclaimed unanimously. "We're going to have a company where the work is interesting and where people get along with each other."

My next clear vision was of a mass testing program administered by a psychologist. A systematic assessment was made of everyone's talents, abilities, and interests; the findings, and the related psychological requirements for each job, were made available to each employee. The employee was then asked to design

nate the work he preferred. Through a process of joint decision making, in which people freely discussed their likes and dislikes about the work and their preferences for work-group partners, disagreements were ironed out and each employee was assigned to a job.

A social psychologist was present and assisted at these group discussions. His objective was to create an atmosphere and develop the groups' techniques for functioning at a high level of effectiveness. A kaleidoscope of images showed him working with one group on how to identify a problem rather than argue about solutions to two different problems; in another group, he helped employees practice on checking out assumptions with each other. Especially vivid were several sessions with the top management group, whose members insisted on reverting to their old habits of putting each other down and slicing each other up to gain favor with the boss. Only after the managers' feelings about each other's past practices had been aired publicly and a number of successful cooperative problem-solving sessions had been held did this pattern begin to change. In a few cases the hostility between individuals was so strong and so well known that they chose not to work together, with everyone's approval. Gradually, the groups learned to work together, developing ways of diagnosing and overcoming their own communication difficulties.

The scene then shifted to the shop floor, where an engineering psychologist was consulting cooperatively with the workers on how the present equipment might be modified. He had been asked to help design meaningful jobs to provide both job satisfaction and immediate feedback to the worker on the quantity and quality of his performance. Although the psychologist collected his own data to determine some of these relationships, the employees, from their own experience, had

many suggestions for improved operations also. These were given freely, and often adopted. A number, at the workers' suggestion, were subjected to empirical tests to determine whether they really would be improvements. The provision of direct and immediate feedback on the worker's performance allowed him to correct his own work and eliminated many inspection operations.

### *Groupings Form*

Not only were individual jobs made more meaningful, but jobs were so laid out that employees could talk to each other easily. Despite a high degree of mechanization, production lines were rearranged to permit groupings to form. This arrangement, which the employees preferred, paid off unexpectedly, in allowing employees to help each other when difficulties arose.

In the process of redesigning and regrouping jobs many previously specialized activities were combined into larger, more interesting units. With these enlarged jobs, with the grouping of interrelated jobs to foster teamwork, and with feedback about performance, fewer supervisors were needed, and those who remained had more time to plan ahead and coordinate with supervisors of other units.

I was so surprised I almost woke up when I saw how they went about selecting the supervisors and managers. Almost all of the former managerial cadre had remained, but they, too, underwent assignment in a process similar to that used for the other employees. It turned out that several preferred not to continue in management or wanted to return to jobs at lower levels, but were concerned about demoting themselves. They feared loss of face—that others would consider them failures or that they would not have the respect of their subordinates. Anticipating this type of problem, the employees had hired a clinical psycholo-

gist, available for individual consultation on a confidential basis. Many who wished to demote themselves did so after consultation, which, they said, helped them view their fears realistically. Others elected other options, and some even asked for higher-level jobs than they had held before.

The clinical psychologist was so successful the company decided to retain him, on an on-call basis, as a form of human maintenance. Since these consultations were considered to be private affairs, the psychologist was never asked his views about these men or to pass judgment on them. The men felt free, therefore, to discuss their most private feelings and found him helpful in working through their problems.

In the final selection, each work group chose its supervisor from among those who had opted for the job. The employees discussed each candidate's tested ability and also his past sensitivity to people's feelings and receptivity to their ideas. The chosen supervisors then selected the next level of managers and they, in turn, named the chief operating executive.

### *Agree on Pay*

Then I dreamed people were discussing how they should be paid. The solution proved remarkably simple. As the business was a cooperative effort, all would receive a percentage of the profits. They agreed, however, that some jobs involved greater responsibility and should receive more rewards. All employees were asked to rank in order all the jobs with which they were familiar, whether in their function or not. Ties were permitted; as a result, many jobs which formerly had differed by as much as 15 or 20 cents per hour were reclassified in the same category.

The rank orders were remarkably similar. In

the process of redesigning jobs, reallocating assignments, and defining supervisory and managerial responsibilities, the organization had been streamlined substantially; because of the open manner in which this was done, people learned a lot about one another's work. Jobs were now so clearly qualitatively different that the decisions about their relative difficulty were made easy. A differential pay rate for each level was established through joint discussion. There was general agreement that the resulting plan was equitable and gave everyone incentive to make his best contribution to the total company effort.

I went back to a deep sleep. All seemed well. The company was ready to go into operation to meet its human objectives. What could go wrong? My subconscious began to answer. Like the engineer who designs the perfect production system, I had ignored the possibility of unpredicted events and of the need to provide maintenance even for human systems.

When men were being assigned to their jobs, a number had expressed concern about their lack of knowledge or skills in certain areas. Jointly with their superiors and co-workers they identified their lacks specifically and determined remedies. Some went to university courses; some took classes in report writing; a seminar in finance was conducted for the entire top management. The men seemed eager to expose their weaknesses to take advantage of this opportunity to improve themselves.

All were encouraged to take the time necessary for their development; and others took on responsibilities to free fellow employees for training (this was later reciprocated). In addition, managers and supervisors consulted systematically with their subordinates concerning their ambitions and what types of training and/or experience they needed, and developed plans for their accomplishment. These plans were reviewed periodically with

Personnel, both to receive help in carrying them out and to insure that they were being carried out.

Employees were encouraged to change jobs periodically to gain new skills and to prevent the decay of old talents. The learning of new skills was recognized as preventive maintenance against human obsolescence. With job rotation and change encouraged, supervisors and managers were constantly training new subordinates. The Personnel Office assisted them in applying effective training methods to facilitate learning while maintaining acceptable productivity. Supervisors became more concerned about teaching than with deciding whether they could do the job or not, since the men's tested aptitudes provided a foundation for success. Without the fear of failing—since they could always return to the old job—employees were able to concentrate on learning the new job, and most succeeded. Thus, the company found itself with a constantly improving work force, which was capable of rapid and successful adaptation to changing conditions.

At one meeting a manager expressed concern about whether the company was meeting its stated objectives. With the technical aid of a psychologist, a committee designed a short questionnaire on the employees' feelings about various aspects of their jobs—their supervisors, the work itself, the work group, promotional opportunities, etc. Questionnaires were administered monthly; responses were fed back to each unit and served as the basis for discussions of remedial action. Since they were viewed as a legitimate form of feedback, they were taken seriously, and required changes were usually made. When difficulties arose, they were treated as problems, not threats, which made it easier to effect changes. Nega-

tive feelings were not permitted to fester, multiply, and harden into basic antagonisms and distrust.

One employee complained that there was no systematic way of insuring good two-way communication and harnessing the creative ideas of all employees. Regular weekly meetings were then instituted, both of organizational family members (i.e., a supervisor and his immediate subordinates) and among people in different areas whose work was interdependent. At these meetings, performance data were reviewed and problems and complaints were raised and solutions sought. People did not have to decide whether their problem was severe enough to call a meeting; they could introduce it at a regularly scheduled one.

At these meetings, too, outstanding performance was recognized; and, as prior training in effective group action was renewed, groups began to produce quantities of fresh ideas. The weekly meetings, with their built-in purposes of remedying complaints and stimulating creativity, and the monthly reviews, with their systematically collected questionnaire data, were potent mechanisms for promoting constructive, supportive relationships.

I wondered about the Board of Directors of the company, and was treated to a vision of one of their meetings. It was an odd collection; one director was elected from each functional area, and one from each of the five organizational levels. There were also four directors from outside the company, selected for their specialized business knowledge.

There were two items on the agenda. One was the Board's report to the employees concerning that quarter's performance of the company; this report was to be reviewed by all the employees in a day-long session. After a general overview of the report, the employees

would meet in small groups, with representatives of different areas in each group, to develop suggestions for improvement.

The second item was a report from research which suggested a possible source of improved organizational functioning. Of course, the research in this case was behavioral science research, designed to discover better ways of meeting the company's objectives. The report was made in the form of a joint presentation by the research psychologist and the manager of the production unit involved. Although the idea for doing the study had been the psychologist's, the production people had participated from the research design through to the interpretation of data and their meaning for company operations. The Board was being told about the proposed change, and their approval was being sought, in light of the total company effect.

### *Where People Count*

As I said, I found this company in a dream. It was a dream I had after one of my more discouraging forays as a consultant to one of our larger, more successful companies. As in most good dreams, things worked out as planned and difficulties were overcome easily. There is no question, I think, that the company described is one where people are important.

But what makes us aware that this company thinks its people are important? What are the ingredients which define their importance? Even though this may have sounded like a sales pitch for employing psychologists, it is not. There seems to be little shortage of employment opportunities for psychologists. Nor does the number of psychologists employed by a company measure its concern for people (although they do tend to be positively correlated). With rare exceptions, the large num-

ber of psychologists employed by business are being used in the most limited ways.

No, the identification has to be made at a more basic level. The episodes in the company I described illustrate some basic principles which most behavioral scientists would agree have emerged from our research. First, the company has established as its major goal: Meet the basic needs of most people. According to a vast body of research literature, people want the long-term security of a job providing a reasonable income, work which affords the intrinsic satisfaction of using their abilities for its accomplishment, fair treatment, and the opportunity for personal growth. Many companies have these objectives in their charters. In this company, not only are these the stated goals, but the company has invested in their achievement.

#### *Intel-acting System*

It has recognized that the social system of a company, possibly even more than the technical and economic systems, is complex, dynamic, and interacting. People not only operate as individuals, but in interdependence with others. Furthermore, unlike the machines and the money, people are aware of themselves and of the other people around them. They evaluate events in their lives, they have feelings about them, and they take action to remedy the things that bother them.

Each action of my dream company was designed to provide a consistency of constructive motivation within the social system, to enhance its coordinated functioning, and to permit each individual to develop his unique capabilities as well as possible. Underlying all these practices is an atmosphere of interpersonal trust derived from a perceived concern by the company with the welfare of all employees. The particular methods employed by this company are not offered as universal solu-

tions. They are, rather, examples of alternatives to current practices, and they are presented to illustrate the need for dealing with all parts of the social system in its entirety.

For example, the use of engineering psychologists to design jobs and production systems is a rarity. In the few places where they are employed their contribution is usually limited to some minor modification in the color of handles or the visibility of dials; the objective is to enhance safety or performance, not to increase job satisfaction. Yet the experiments of Fred Emery and his colleagues at the Tavistock Institute of Human Relations in re-designing socio-technical systems in Norway have produced remarkable gains in both productivity and satisfaction.<sup>1</sup> In analyzing the need for changes they had the widest scope and freedom with respect to both the design of equipment and the assignment of men. In one example, a set of production lines in a paper factory was reassembled to maximize man-machine and man-man relations and changed a long-traditional method of work.

In my dream company, the payment system was designed to reward cooperative effort. This has the effect of reducing the temptation to enhance one's own status at the expense of another. It is then in the manager's best interest to supply good information for planning sessions, rather than fudging numbers for fear that his profit center won't show up well enough in the future. A lot of the so-called planning time is now spent by management in trying to outguess one another's numbers; this wasteful and frustrating practice might well be eliminated.

The development of methods for the solicitation and acceptance of ideas from all parts of the organization (as in my dream firm) ap-

<sup>1</sup> F. Emery, *The Hunsfos Experiment Of the Industrial Democracy Project*. London: Tavistock Institute of Human Relations, 1966.

peals to the creative needs of most people. By fostering an attitude that ideas can come from anyone-in contrast to the attitude of "Mind your own business, that's not your area"-being creative becomes worthwhile. Our own research has shown that a leader's negative attitude toward disagreements in groups effectively stifles the creativity available.<sup>2</sup>

A willingness to confront and deal with people's feelings, rather than deny them as un-businesslike, makes interaction in business a more human encounter. Feelings exist; their suppression often results in communication barriers and reduced work effort. Creativity also can result from suppression-but creativity directed towards destruction of the man responsible for the antagonistic feelings.

If information-such as accounting and production figures-is reported in a form appropriate to the users, feedback with potential behavioral consequences can result. Much reporting is so dated as to have historical interest only, or is aggregated for some overall company purpose and does not identify particular problems that might be corrected.

As important as furnishing relevant information is openness in its use. In my dream company, there were several ways in which all employees were made aware of all aspects of the company's operations. The inclusion of workers on the Board of Directors, the small group review meetings, the quarterly reports and meetings of all employees-these were designed to foster everyone's concern for the company's well-being. They also were designed to encourage greater openness in relationships among the employees, in place of the more common practice of withholding information or selective reporting.

<sup>2</sup> S. R. F. Xlaier and L. R. Hoffman, "Acceptance and Quality of Solutions as Related to Leaders' Attitudes Toward Disagreement in Group Problem Solving," *Journal Of Applied Behavioral Science*, 1965, 1, 373-86.

Ed Lawler's research on managerial compensation suggests that many companies are accused by their employees of unfair payment policies—because they keep salaries secret." The absence of information about important matters generates rumors which become the "facts" which people believe. Practices of holding information until the time is "ripe" for its release and of presenting only favorable information have a long-run impact of reducing the credibility of the information source. Workers' general lack of faith in company magazines illustrates the principle.

A related aspect of the question of how information is exchanged revolves around the admission of weaknesses or problems. Perhaps the foremost barrier to the effective functioning of the human component in companies is our unwillingness to confess that we are not supermen. As subordinates, we are very cautious in admitting to our bosses that we are having difficulties, either job or personal. How many of you have ever volunteered to your boss that "All Hell broke loose while you were away," if you thought that he might not learn about it? Yet, it is exactly those areas of deficiency which identify training needs—needs that you feel, and would be especially motivated to correct if given the opportunity.

Most superiors also find it difficult to admit their shortcomings, or to confess to subordinates that they might have been wrong. With the title on the door and the rug on the floor also comes the need to be infallible. In fact, however, the research evidence is overwhelming in indicating that the manager who shares his problems with his subordinates, and who gets their ideas in solving them, is highly respected and appreciated and develops good solutions.

<sup>3</sup> E. E. Lawler, "Managers' Perceptions of Their Subordinates' Pay and Their Superiors' Pay," *Personnel Psychology*, 1965, 18, 413-Z.

Trust between people is one of the most significant factors in effective communications. Yet how can you trust anyone-superior or subordinate-who is always right?

### *Application of Findings*

I began this presentation by suggesting that we examine current business practices for evidence on the current status of "the worker be damned" philosophy. I took you on a trip into dreamland, a visit to a company of fancy in which concern for people's welfare was paramount. The practices which emerged from the human orientation of the company's objectives stand in sharp contrast to many current business practices. Yet they are not fanciful; they represent the concerted application of a range of available behavioral-science research findings. They were applied in a cooperative effort between the appropriate specialist and the employees.

Their contrast with current management practices does not result, I believe, from an active attempt by businessmen to make business life miserable. Rather, there is a commitment to a traditional (but never empirically verified) set of management principles: authority must equal responsibility; never give a man more subordinates than he can supervise in detail; keep relations between people on an impersonal, businesslike basis, etc. Without an understanding of behavioral-science research findings we are left with a naive model of human behavior by which we often misgauge the effects of changes in company policies, practices, and pronouncements.

The naive model may lead an executive to assert that human beings cannot be studied scientifically, since they are all unique, while he prepares a policy statement that treats everyone alike.

I am well aware, as are most behavioral sci-

entists, that the principal goal of business is not the satisfaction of its employees. However, most businessmen would rather, I think, see people happy than unhappy, well than sick, and productive than destructive. But even in terms of the profit objective, neglect of the principles of human behavior is costly to companies in dollars-and-cents terms. This neglect and its consequences are not measured in our accounting procedures. The company adjusts without much thought to dollars lost in unrealized opportunities or to the dollar costs of organizational disequilibrium. For example, how much does it cost when a plant manager develops an incapacitating ulcer or has a mild heart attack? An assistant may take over most of his responsibilities, neglecting some of his own. Unless he has been working closely with the manager, he may have to learn about a number of plant and company plans and activities before he can operate effectively. The other men who report to the manager have to develop ways of relating to the new man. And so the chain of adjustment goes, even when there is an easily identifiable replacement.

I mentioned ulcers and heart attack because they represent a substantial human cost, and because they are related to job stress. If you had a machine which spewed pieces of material into the gears and wore them out, you would do something to correct the situation. Yet we often permit jobs to exist which are disabling to the men who occupy them. We may not know about the characteristics of such jobs and how to identify them, but research by Kahn and his associates makes it clear that such jobs abound in many companies.'

It would be foolhardy to pretend that behavioral research has provided all the answers

4 R. L. Kahn, D. M. Wolfe, R. P. Quinn, J. D. Snoek, and R. A. Rosenthal, *Organizational Stress: Studies in Role Conflict and Ambiguity*. New York: Wiley, 1964.

a company needs. In fact each company is unique, and must develop its own answers. The fact that few companies have programs of systematic research on their social systems is evidence that the importance of people is not yet generally acknowledged. Prominent among the people managers don't think are important are clearly you managers yourselves.

I have spent a good part of this talk discussing a "dream" company. Is such a company viable? Certainly its people are measurably happy and energetic. But how about its profits? Did it make any money? Unfortunately, I awoke before the first year's balance sheet came in. They seemed to be doing all right. But let me turn the question around. If I ask you about the level of human effectiveness in your company, would you know how well you are doing?