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Donnelly, John F., Sr. Oral History Interview: Local Business Persons

Abby Jewett

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HOPE COLLEGE LIVING HERITAGE ORAL HISTORY PROJECT

1982

JOHN DONNELLY

INTERVIEW

FOREWORD

The Hope College Oral History Project was designed to record and transcribe for permanent collection the living heritage of Holland, Michigan. Since the project's birth in 1977, Hope student researchers have interviewed people with various perspectives on Holland's history. Past projects have included:

Former Hope Faculty Members & Personnel- 1977- Nancy Swinyard
Past Executives of the Reformed Church- 1978-79- Conrad & Derk Strauch
Important Women of Holland, Michigan - 1980 - Carol Bechtel
Links Between Hope College and Western
Theological Seminary - 1981 - Carol Bechtel
The History of Holland Business - 1982 - Abby Jewett

The persons interviewed represent a vital, but non-renewable resource, whose reflections will provide primary material for future historical research.

Upon the completion of each interview session, the taped conversation was transcribed and edited by both the interviewer and the interviewee. Some alterations concerning accuracy of detail may have been suggested by the interviewer during the editing process, but at all times the viewpoint of the interviewee has been maintained. If the researcher should discover discrepancies between the interviews and published materials, it must be remembered that some divergence may be expected due to the highly personalized perspective of the interview. No claim is made that the information contained within these transcripts is absolutely accurate. No two people share identical viewpoints, and the interval of time between the interviewee's experiences and the events mentioned can sometimes intensify this divergence. Tapes of all the interviews are stored in the Hope College Archives in Van Zoeren Library.

Without the support of Dr. Jacob E. Nyenhuis, Dean of the Humanities and the Fine Arts, and Mr. William K. Anderson, Vice President of Business and Finance, this project would not have become a reality. Dr. Elton Bruins has given generously of his time and expertise as the advisor to the student interviewers. Finally, the success of this project must be attributed to the efforts of the interviewees - each gracious, receptive, and cooperative.

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INTRODUCTION

Donnelly Mirrors, Inc. probably looks like an ordinary company at first appearance. However, if anyone ventures further than that, they will find a very unique company. For centuries, a major problem in business has been employer-employee relations. But Donnelly Mirrors has taken significant steps to conquer this problem. In fact, John Donnelly has revolutionized the management system. The age old practice in management has been a philosophy labeled Theory X, which consists of the employer, or management looking at his employee as someone who is basically lazy, unwilling to work, and will produce only through the force of his superior. But Donnelly Mirrors has expanded on a new management concept which has surfaced in business, Theory Y. This approach consists of an employer viewing the worker, people, in general, as willing to work, indeed, wanting to work. People really have a desire to use their skills to produce, and desire more responsibility. If given proper encouragement, the worker will willingly produce, and enjoy using his skills for the company's sake. Basically, the happier the worker, the more productive the worker.

In, addition, if the worker is allowed to participate in the company, able to express his own ideas about the company's functions, and be heard by management, then the worker will feel even better about his employment. John Donnelly has applied this idea to his company. He first adopted the Scanlon Plan, in which workers are directly compensated in the form of bonuses for any increases in production. In addition to that, Donnelly Mirrors instated a participative organizational structure. This includes elected committees to investigate wages and benefits, as well as a structure which

creates teams of workers, with leaders and subordinates working as cooperative equals, thus allowing the worker a more pleasant working atmosphere.

John Donnelly is renowned for this work in participative management. He has been noted in the Harvard Business Review, and recently received an honorary doctorate from Hope College. He is a thoughtful and congenial man, and is held in great respect by the Holland Community. In this interview, he discusses his philosophies of participative management. His ideas have constituted a major change in corporate structure, being one of the few companies to institute a structure of this kind. He is renowned among business for his work, and brings a new philosophy to the idea of management.

JOHN FENLON DONNELLY

Mr. Donnelly is Chairman of the Board of Donnelly Mirrors, Inc., of Holland, Michigan, manufacturers of automotive prismatic rear view mirrors and other special purpose mirrors and coated glass products.

He is active in a number of trade, civic, and church organizations. He is past president of the Mirror Manufacturers Association, the Midwest Chapter of the Scanlon Plan Associates, the Holland Hospital Board, and the Holland Chamber of Commerce. He is also past president of the National Council of Catholic Men. He has served as a member of the Governor's Commission on Morals and Ethics in State Affairs of the State of Michigan, on the Board of Directors of the Michigan Catholic Conference, as a member of the Human Relations Commission of Holland, a Director of Herman Miller of Zeeland, Michigan, and a Director of the Union Bank and Trust Company of Grand Rapids, Michigan. He is currently Chairman of the Board of Aquinas College of Grand Rapids, Michigan and Chairman of the Board of the Irish-American Research Foundation.

Mr. Donnelly was the 1967 recipient of the Aquinas Award from Aquinas College in Grand Rapids and in 1981 was awarded an Honorary Doctor of Letters Degree from Hope College in Holland, Michigan. He frequently lectures on management and organizational theories.

Mr. Donnelly studied Chemical Engineering at Notre Dame University and completed his B.S. Degree at Catholic University of America. He also has a Bachelor of Arts Degree from St. Mary's Seminary, Baltimore.

Mr. Donnelly resides in Holland, Michigan, with his wife, the former Katherine Shields of Grand Rapids. Mr. and Mrs. Donnelly have three children, Mary Susan of Dublin, Ireland, Joan Elizabeth of Tucson, Arizona, and John Jr. of Holland.

/mk
April 7, 1982

Interview with
John Donnelly
at
Donnelly Mirrors, Inc.
Holland, Michigan
on
June 21, 1982
with
Abby Jewett

This is an interview with Mr. John Donnelly, of Donnelly Mirrors, Inc., conducted on June 21, 1982, by Abby Jewett.

ABBY JEWETT: Mr. Donnelly, can you give some background on Donnelly Mirrors, like how it got started...?

JOHN DONNELLY: Well, Donnelly Mirrors is an offshoot of a Chicago company, Kinsella Glass Company, which made mirrors, and sold glass for building, and other purposes, in Chicago. But, they wanted to start an operation in western Michigan, because of the large furniture industry which was there in the early part of this century. So, my father, Bernard Donnelly, was working for that company, and he was asked to start a branch in Holland. Holland was chosen because it had a substantial number of furniture companies. There was no mirror company here, there were two in Grand Rapids. So they felt this was a better location, than Grand Rapids.

He started the operations in 1905, and five years later, he and a man named John Kelley, bought the Holland branch from Kinsella, and it became the Donnelly-Kelley Glass Company at that point. In 1924, my father bought the interest of John Kelley, and he became the sole proprietor. That continued after his death in 1932, when the state operated the company until 1936, when it was incorporated, and was wholly owned by the state, or trust of Bernard Donnelly. In about 1963 or '64, the name was changed to Donnelly

Mirrors. In the meantime, the trust had been disbanded, and various members of the family owned the stock directly.

Originally, when the company started, it was to serve the furniture trade in western Michigan, particularly mirrors. They also sold glass to hardware stores, and builders. But that was never a major part of the business. During the teens and twenties, there was some business developed in selling glass for the rear windows on cars. Most cars were open cars at that time, and they just had a cloth top, and the glass was put in a wooden frame which was sown into the back of the car, so you could see out the back with this small piece of glass. But, it was beveled, and there was a lot of work in installing the parts. In the early twenties, my father developed a patent on a rubber frame for that kind of window, and he started what became known as the Duffy Manufacturing Company, and they produced these windows for many years. But then, as sedans became more common, and as touring cars, as they were called, disappeared, that window virtually went off the market.

Then, in the late thirties, I was in the business by that time, and I'd heard that General Motors was looking for a type of mirror that would give a dimmer image at night, or wouldn't glare. And we developed a process for producing the mirrors, and got started in 1939. In the meantime, we had been looking for this sort of product, because during the depression, the furniture industry had largely disappeared. And there was not enough to support the company just in those mirrors for the furniture industry. We began selling mirrors to the furniture stores, finished mirrors, that didn't go through any furniture company. But that wasn't a large business, and we were looking for something additional, and this automotive, prismatic mirror looked like a very good thing.

Well, this was interrupted by the war, and during World War II, we produced a lot of parts for gun sights, and for various aircraft gun sights, and that kind of thing. At the end of the war, we went back into the automotive production, and have been in that ever since. At first we were merely making mirrors, then we made the frame for the mirror, and the bracket. Later, we began producing windows with rubber or plastic molding around them, to be placed in the cars. Also, we developed a number of special coatings which enabled us to go into making parts for liquid crystal displays. And these were used primarily for watches, but they're gaining acceptance in a lot of other fields as well. We also developed some processes for bending glass so that we can make convex mirrors for the outside of cars.

JEWETT: Now is the special coating the "sputtering" technique?

DONNELLY: Yes, it's a technique for producing metal coatings, or non-metallic coatings for glass. The ones that are used for the liquid crystal are not metallic. They conduct low levels of current. To heat the glass, or light up the display, you want a small current.

JEWETT: So, right now, basically, you're still producing for the auto industry and then your branching out into these digital glasses? How has the downturn of the auto industry affected you?

DONNELLY: Well, it was very serious for awhile, but since the first of this year, there has been somewhat of a turn around. We're getting more volume, even though the industry hasn't recovered, we've got some additional products that we are selling now, so we are kept busy.

JEWETT: That's good. Now, you were studying to be a priest, is that correct? Then, were you called home to take care of the company?

DONNELLY: Yes, I left school to help manage the company, in the thirties.

JEWETT: Was that because of the depression?

DONNELLY: Well, my father died.

JEWETT: Where were you studying to be a priest?

DONNELLY: In Baltimore.

JEWETT: Did you ever think you'd go back?

DONNELLY: No.

JEWETT: Since the auto industry had been running into problems lately, have you been emphasizing getting into other areas?

DONNELLY: Not as much as you might expect. We're now in a position to do more than we did before the recession, although the auto industry is still at the bottom, it has not recovered. We would like to get more diversification, but right at the present moment, it looks like the automobile industry will be adopting liquid crystal displays for instrument panels, and that will be a much larger volume than we've ever done in liquid crystal displays. When you have skills in the auto industry, and you get opportunities, it's very difficult to get enough volume outside the industry to be interesting to us.

JEWETT: So you figure you will stay with the auto industry?

DONNELLY: Yes, but we will be doing more outside the auto industry, like we have done in the past.

JEWETT: Do you have just one factory where you produce all the glass?

DONNELLY: Well, this is one factory, and we have another one on Ottawa Avenue, and we have another one on 40th Street in Industrial Park. And one on Eighth Street.

JEWETT: Oh, yes, I think I remember where that is. When did you start expanding into these different areas? Did you originally begin here, at Third and River Streets?

DONNELLY: This was our first factory. We first added two additions on to

this factory. Then, we decided that we needed more space, and we built a building on 40th Street. Then, we needed more space, so we purchased the building out on Ottawa Avenue, and we had two large additions put on the 40th Street plant.

JEWETT: How has business been through the years? I'm sure the depression was pretty bad.

DONNELLY: Well, the depression was really bad. What's happened in the last two years is minor in comparison to the depression. Because, the whole furniture industry just disintegrated. There were large factories, huge factories in Grand Rapids that never survived the depression. Berkey & Gay was the largest in the world, and that went out of business. Sligh Company went out of business. Luce stayed in business until about 1940, and then they disappeared. Then, there were lots of medium sized companies that went out of business. And in Holland, there were the Bay View Furniture Company, the Holland Furniture Company, the Limbert Furniture Company, they all stopped. So that it radically changed the possibility for a mirror company in western Michigan.

The banks went. Holland had two banks going into the depression, and came out with one, because they merged together.

JEWETT: What banks were those?

DONNELLY: Well, there was the Holland City-State Bank, and the First State Bank. And they became the First State Bank, which later became the First National Bank. Well, there was People's Bank, so I guess there were three banks, and two survived.

JEWETT: So, the depression was probably your worst time?

DONNELLY: Oh, yes. That was by far the worst thing in this century.

JEWETT: How was business from 1905, until the depression?

DONNELLY: It was a growing business, and the furniture industry was growing in this area. So, our company prospered with that. There were three recessions during that period. The one in 1920 was rather stronger than most of them, but that didn't last terribly long.

JEWETT: So, it just lasted through 1920?

DONNELLY: Yes.

JEWETT: So what about after the depression, the time since World War II? Has the present been the worst since the depression?

DONNELLY: The '58 recession was a very severe one. It didn't last that long, but it hit hard, and it hit very suddenly. I think it was in January of '58, that General Motors predicted it was going to be their biggest year ever, and by the end of February, we were almost without orders! That was a very sharp, severe one.

JEWETT: As a Business Administration and Psychology major, I am really interested in your work with participative management. And you're really renowned for your use of the Scanlon Plan. Can you tell me how you became acquainted with that, and how you came about adopting that?

DONNELLY: Well, the mirror industry was traditionally a handcraft industry. It was not a progressive type of business at all. It was rather secretive. And I felt that if it was going to prosper in the long run, it had to adopt more up to date methods to advance quickly. My father thought the same thing, and he made some beginnings in that. But, then the depression had interrupted it, and we had to curtail the development. So, I felt that it was important for us to get higher productivity. And, part of it can come from better methods, and part of it can come from better equipment. Of course, the traditional thing was that if you wanted better methods for better productivity, you put incentives in. And incentives are...we found that they

are almost counter productive. Because, you get people interested in volume only, not in the quality. And when you're handling a fragile product like glass, it is easily damaged. So, by increasing your output, you can get more pieces out, but you get careless and spoil them. So, it required a great deal of inspection, which took away the savings that you got by the hiring in production. So, we tried a number of ways to use incentives, and found that they weren't good. And about that time, this was in the early fifties, a truck driver was delivering to Herman Miller, in Zeeland. And he told me one day about some plan that Miller had that was going great guns. Well, I inquired about it, and it turned out to be the Scanlon Plan. It was the first I'd heard of it. So I talked to D.J. DePree, and he said, yes, that they'd been using it for a couple years, and they liked it very much. And if I wanted to find out more, I should get in touch with Dr. Carl Frost, from Michigan State. So, I did, and he told us about the plan, and how it operated and so on, and he agreed to help us install it.

And it had a better rationale than incentives, because it was directed toward getting a realization that if the company prospered, they would prosper. So then they had an interest in helping the company prosper by working toward the overall company objectives, which is not getting more pieces made, but getting more GOOD pieces made. Then, there was the promise that if the company did succeed in improving it's position, that improvement would be shared with the employees. So that there was a formula developed, so it wasn't "Well, if things get better, you'll be taken care of." It was, "If things improve, you'll be taken care of by this amount." So, that there was a formula that was used--if it went up 20%, your pay went up 20%. It wasn't a nebulous thing, it was a very concrete formula.

Well, that produced good results right off the bat, almost from the day

we started. But after some time, it began to appear that there were some problems with the formula, that still, there wasn't an identity between the people working for the company and the rest of the company. For instance, operating supplies were not included. So you could use a lot of operating supplies, and increase your output and increase good output, but the cost of the operating supplies became excessive. So they were included in the formula, we actually went to profit sharing at that point. And almost immediately after we went to profit sharing this current recession hit. But we are back earning bonuses again, now.

JEWETT: I know in my management class, we read your interview in the Harvard Business Review. And I remember you stated that you started the Scanlon Plan, and a couple years later you ran into some problems. And so that was when you combined the operating supplies?

DONNELLY: Yes.

JEWETT: How often, back before you started the profit sharing, how often did the workers get bonuses?

DONNELLY: Every month. Of course if business was bad, they didn't get any. That went up to 6 months at times. But, in general, they'd get it every month.

JEWETT: How did the bonus work? If the company made a profit they made so much money...

DONNELLY: Yes, previously it was an improvement in the amount of production that was made, over the base year. In other words, if the payroll was 30% of the sales in the base year, and we were able to produce enough so that the payroll was only 25%, then all the labor would get the 5% saving, and it was paid out as a bonus as a percentage of their pay, so that would be about a 20% bonus, then, that you would get.

Later, when we added the materials in, then the company shared the savings

on material and labor with the bonus. So they actually had a bigger pot to share from, and got a bonus from that money. And, finally, it included ALL costs, and then we had profit sharing.

JEWETT: Your company's not only involved in the Scanlon Plan, but you have a Theory Y management program, where you really care about the worker.

DONNELLY: Well, that's part of the Scanlon Plan. Douglas MacGregor, who developed the Theory Y approach had been at the Massachusetts Institute of Technology, and he brought Joe Scanlon to be on their staff there. And, I'm not sure, but I think MacGregor's theory was independent of Scanlon, but they were very cooperative, they worked together. And, the Theory Y is an explanation of why the Scanlon Plan works. You can't use the Scanlon Plan effectively with Theory X management. So, they're not two different things, but one is a practical scheme, and the other is a theoretical explanation for the practical scheme. And that's a problem that many companies have when they do try to do it. They think that the Scanlon Plan is automatic. All you have to do is say to people, "You're going to get a bonus if things get better." But, it really requires more careful planning.

One of the first things almost any company experiences, the first problem with the Scanlon Plan is that their scheduling doesn't work. The people that are doing the scheduling can't keep up with the changes in production that come about by people taking more interest in their work. And they have to improve their scheduling. They have to improve the managers' and supervisors' ability to deal with people. Now, they're used to dealing on a Theory X basis, and they don't suddenly shift to Theory Y. It's not automatic. You have to help people understand why they should change to Theory Y, and how they should change to Theory Y.

JEWETT: You also started a way of letting people bring new ideas to the

company, and having those filter up to the executives, and implementing those.

DONNELLY: See, that's part and parcel of the Scanlon Plan, that you have some system like that. The thing that we did that's different than the Scanlon Plan, is in another person researching this area, Rensis Likert. Rensis Likert developed the notion of organization, where instead of having departments, he tried to get people to look at them as teams. Well, teams are overlapping, because the manager of one department, you can look at his group as a team, but he's also the member of the next team--the next level up. He's a member of another team. So, he's a member of his boss' team, and he's the leader of his team. Now that also has the notion that if you are on a team rather than a department, one of the things that a team does is talk about problems, and needs of the work that has to be done. So, it encourages that. And since the man who is also the leader of that team is a member of the next team up, if something has to get up in the organization, he can take it up.

And, he's also encouraged...well, suppose that I'm the manufacturing manager, and I have a problem with engineering. I am also on a team with the engineering manager. So, when I'm meeting with my boss and the team, I can talk to the engineering manager, and get this problem resolved between us at that team level, rather than looking at the two things as defeating one or the other department. They're really members of the same team. So, what we've done is integrate the notion of participation into our organizational structure. And it's built into the organization, not something that's added on to it.

JEWETT: In the structure then, you have your typical "ladder" structure, and you take the subordinates and the authoritative person and put them together on a team. Now, do these teams have meetings, or how does it work? Could you explain that?

DONNELLY: Oh, yes. Well, department managers in a typical company will have meetings. The problem is that, they tend to be meetings where he tells people what to do, not an interchange of information. He may ask for a report from one of the members, but everybody else is bored because it isn't their report. But, if the manager of a team says, "We're going to have a meeting to talk over production for the next month, and I want reports on all the projects that relate to this production." THEN, when the engineering manager is talking about his things, the manufacturing manager is very interested in whether he's going to be on time or not, whether he's going to have the project finished so the manufacturing manager can make his plans. The sales manager is quite interested in knowing whether the production is going to be in the position to meet the sales requirements. So, there is an interchange of information. Problems are proposed, and resolved at that point if possible. So, all it does really is loosen people up, and state the ground rules: that we expect you to cooperate. We're here working together, and each function affects every other function, so let's talk about it--progress, problems, and let's get the problems resolved.

JEWETT: Interesting. Along with the interlocking work teams, your company has a unique way of handling grievances. Do you want to explain how, if an employee has a grievance with the company...

DONNELLY: Well, he's encouraged to go to his work team. He can go to his supervisor right off the bat, but if that doesn't work out, he can take it over to the work team to talk about this. Of course, there are other, more typical ways of getting the supervisor to come in, and so on. And, also, we have elected committees of employees, that can also help.

JEWETT: Yes, how do those work?

DONNELLY: Well, there are people from each department that are elected, and

they sit on the committee. It's not primarily for handling grievances, but it can, if one comes up, and hasn't been handled through a normal system. They can discuss it, and decide if the ruling was fairly applied, or not. Then, the interesting thing is, the decisions have to be unanimous. Now that put's a burden on people to be reasonable, because if you're sitting on the committee and taking a very unreasonable position, then there is a lot of pressure to get reasonable. So that has worked out quite well.

JEWETT: What else does this elected committee handle? They are elected from each department, then they serve on this committee...

DONNELLY: They talk about wages and fringes, and make recommendations on what changes should be made on wages and benefits. They don't have the final say on it, what they recommend has to be accepted by the management team and by the board of directors, but I don't think any recommendation that they've ever made was turned down. They've done a responsible job.

JEWETT: That's really revolutionary, because you've given employees almost a way of self government.

DONNELLY: It sounds that way, in practice it isn't exactly that. Some people have described it as saying that you can vote any pay increase you want. That isn't true, because, you know, if you voted too high a one, you'd be out of business in a very short time. And people are not anxious to lose their job, so they have to be responsible.

It helps people to understand what the needs of the marketplace are, and what the company can do. The problem's been with union-management negotiations that management has sort of driven the union into...they've refused to give them information about the health of the company, and therefore the unions say, "Well, let's go for as much as we can get." So, there was no real attempt to understand what the possibilities were, and the auto industry is

fairly typical. The wages got so high that the companies are no longer productive. They're not competitive. Now, they're...because of all the down turn and everything, they're now starting to talk about the needs of the company, and the practicalities of the market place, and so on, which they've needed for quite some time.

JEWETT: How do unions feel about the Scanlon Plan, and your style of organizational structure?

DONNELLY: At first they were skeptical, they felt it was just a management ploy to destroy the union, even though Joe Scanlon was a union organizer. And he believed that you couldn't develop a Scanlon Plan without a union. In practice, more companies have started the Scanlon Plan without a union than with a union. But it works in both cases. And, over the years, the unions have begun to realize that it was in their interest to see Scanlon Plans in their companies.

JEWETT: When did you apply, for example, the Rensis Likert's organizational structure--right after the Scanlon Plan, in the early fifties?

DONNELLY: No, it was in the sixties.

JEWETT: So, were you one of the first companies to ever do something like that?

DONNELLY: Well, there were a few companies in it before we got into it. It's quite interesting. He didn't invent that notion, he discovered it. And the difference is, that he was looking at organizations, large organizations, and asking them to list their best departments and their worst departments. And then he's go in and study them, and see what was the difference between the way the best departments are managed and the way the worst departments are managed. And it turned out, that the best departments tended to be sort of Theory Y type, and the worst ones were Theory X, and he also realized that

there were other factors besides Theory Y and Theory X that followed. And he began to realize that the communications that were implicit in the team structure were characteristic of the good departments, and rigidity of the old structure were characteristic of the poor departments. So, there were companies that had departments that were operating under this system, or managers were using Theory Y. MacGregor didn't invent Theory Y, he discovered it. He found that some managers behaved that way. And other managers behaved like Theory X. And the thing was that the Theory Y managers tended to have better results than the Theory X managers. It's really weird, because, business people tend to think that they always use the best methods. Theory Y has been around for all these many years, and it's still not widely used! It's getting better. You know, they can now get people to come in and say, if you want to be Theory Y, this is what you have to do. So, everybody thinks he's Theory Y, says he is, but whether he is or not is something else.

JEWETT: It's probably hard to change your view of the worker, from someone who's not going to work, you've got to push him, to saying that he really does want to work. So, what kind of advice can you give, to maybe some of those more "cutthroat" companies, who, have a Theory X style. Do you have any advice as to how they can change to becoming the type of company with the philosophy that if you treat the worker right, they'll treat you right?

DONNELLY: I think it's being forced on them by competition. Particularly, the Japanese competition is forcing American companies to realize that they can't keep going the way they are. And, I think that hitting one's head against the wall is the most likely way to change people. I think few people change until they have to. There are very few people who say, "Gosh, I'm getting along okay, but if I changed, things would be a lot better." We

just seldom do that. I think change is the thing, and that's very difficult to do. People can say, "I can show you how you can improve your situation, all you've got to do is start treating people differently." And they'll day, "Your crazy, get out of here." See?

JEWETT: Yes, that's true. How much did productivity go up when you started these changes?

DONNELLY: Productivity is very difficult to measure. You know, if you were making the same thing over and over and over, and year after year, then you could say, well, that it went up so many percent. But, the product changes, it becomes larger, it has a different finish on it, so it's really difficult. The fact is, that, one product that did stay through production for a long time...the price on it for twenty years, didn't change, in spite of higher wages, and higher material costs, and a lot of these things, we were able to keep the price virtually unchanged. In fact, we reduced the price.

JEWETT: That's really good. In general, everyone is pretty much for this, like your upper management...

DONNELLY: Oh, it isn't heaven here by any means! When you get new people into the company, they have to learn it, and they come in from other, more traditional companies, and, you know, "It's fine, I'm glad that some people are doing this, but I'm going to continue to operate the way I always have operated." Then, they start to have problems, and they've got to work around those to solve other problems..so it's a fairly human thing, that people coming in don't want to change automatically. They have to finally see that "I have to change," and even then, some of them won't change. They just say, "This is a crazy company, and we don't want to stay here."

JEWETT: So do you think it's that they don't want to lose their authority, you have your upper management people coming in from other companies, and

they're used to having the power and telling other people what to do and they don't want to give it up.

DONNELLY: Yes, that's right.

JEWETT: Probably, over the whole, your employees would be a lot happier here than a lot of other places.

DONNELLY: It varies. There are times, you know, when you're in a serious downturn, and it's very difficult to keep people buoyant and happy. When things are going well, then people tend to be more buoyant and happy. But, in general, I think that people would say, "Yes, I'd rather operate this way, than another way. I'd rather see better results than we're getting perhaps, or I'd rather see more business here, but other things being equal, I'd rather have this kind of management than the old fashioned way." So there I think, by and large, we have a majority of people that favor this way. We have some people who are very sold on it, and really understand it, and really want to make it work. And we have some people that don't understand it, and don't care, and might be very happy if it didn't work.

JEWETT: I look at the Scanlon Plan as more of a Christian concept in looking at the worker, and do you think, being a Christian yourself, and being that this is more of a Christian community around here, do you think that's had an effect on how it's taken so well, around here, or not really?

DONNELLY: Well, I'll answer that with a question. Is Japan a Christian country?

JEWETT: No, but they've done the same thing. You're right there.

DONNELLY: They've done a very similar thing, an interesting thing. The Japanese learned that from the United States. The Japanese, in the early fifties, were sending teams over here all the time, looking for the best method of managing companies. And they had a productivity commission in

Washington, reaching out all over America, trying to find the best method for managing. And they were very interested. They didn't adopt the Scanlon Plan, but they certainly adopted participation, in a very large way.

So, I think it appeals to the best side of people, and Christianity appeals to the best side of people. So, I don't think it has to have a Christian context in which to operate. But, it certainly doesn't hurt. It helps it.

JEWETT: I was reading your employment manual, where I think you stress three different aspects of the company--they were market leadership, participation, and equity. Could you explain each one of these, and how they relate to the company?

DONNELLY: Market leadership is...well,... we're not here to just get by. If you want to have a good job, you have to DO a good job. If you do a good job, you're going to become a leader in the marketplace. So, we ought to be thinking in terms of how we serve the customer in such a way that the customer will want to come to us. And that's what market leadership is. So, it's a kind of focus toward all the work in the company. Are we really interested in what the customer needs? Are we developing the product that the customer needs? Are we developing ways of doing it at a price that the customer can pay? And are we serving the customer properly? So, that is the focal point for the work that is being done in the company. I don't care what your job is, it ought to be related to serving the customer well. So, with that notion, then, how do you organize yourself in order to do that well? And that's where participation comes in. You want to pull the capabilities of every person working here. We want them to cooperate, and not fight with each other. And, so you want to get organized to beat this demand from the marketplace.

When that's all done, then people want to have the feeling that they're going to share in this result of the market leadership, and all the participation that's been going on, making us market leaders. And, therefore, they have an equity system so the people can realize that they are going to be fairly treated in the company.

JEWETT: You stress this for them as they are coming in? That's very good. I was wondering, in looking back over the years at the business conditions in the vicinity of Holland, how has Holland been generally, over the years as a business place?

DONNELLY: Well, Holland's a good place from the business end. They have a good school system, they have a good, well, it's a changing population, but they generally are industrious. We've been very satisfied here.

JEWETT: How big is the company now? How many employees do you have?

DONNELLY: Around 700, I think. We have a factory in Ireland, I haven't mentioned that. In 1968, we started a factory in Ireland, to serve the European community. And, we've also branched out in Europe, and we're shipping to Japan, and the Far East, from Ireland. So, altogether, we have around 700 employees.

JEWETT: That's including Ireland?

DONNELLY: Including Ireland.

JEWETT: How many in Holland?

DONNELLY: Around 500.

JEWETT: I didn't realize that you'd gone to Ireland. That's great. How do you feel about your shipping to Japan, are there any trade restrictions?

DONNELLY: Oh, not, well, occasionally you get one, but we've been pretty successful in getting them removed. So, we don't really suffer from that.

JEWETT: Being an observer of the auto industry, and also being affected by it,

what do you think would be the best thing for American companies to do to pull themselves out? How do you feel they should handle this, what are they doing wrong?

DONNELLY: I think if they really got dedicated to market leadership, to participation and equity, they'd be a lot better off.

JEWETT: Yes, I think you've got a point there. That's true. And it seems like Japan knows how to do it, that's for sure. How big was Donnelly Mirrors during the early days, like during the thirties and forties? Has it grown recently?

DONNELLY: During the thirties, of course, during the depression, I think we plummeted from 120, or something like that, down to, 25 or 30. But since then, there's been a fairly gradual improvement.

JEWETT: Now, I heard that a few years ago, during the recession, you had some problems, and, rather than laying people off, you gave everyone a 10% pay cut?

DONNELLY: No, we had already laid people off, and we were still in trouble. So, rather than have further lay-offs, we did that.

JEWETT: Did everyone agree to do that?

DONNELLY: That was a time when we didn't follow participative methods, I'm sorry to say. We handled the situation differently. We have made further changes since then, where we could handle it better, with a better understanding.

JEWETT: It seems to me that that would be such a nice way of working it, that noone gets layed off.

DONNELLY: Well, it wasn't done well.

JEWETT: That's really great, though, that you've been able to revolutionize the authoritative structure within companies.

DONNELLY: Well, we've made an attempt to do it, and we've had a fair amount

of success. It's a never ending problem. You know, people's egos get in your way. People like to use authority, they like to fall back on authority. And it's been engrained into us for so long. Someone did a survey of managements, and they all claimed to be Theory Y managers. But then, they were given questions, like "What do you do when you've got a crisis?" And they'd all fall back on Theory X. Not all, but the great majority of them said that they would just start using authority. And, that's the time when participation can be most effective. When you have to rely, you have to have great change at a time like that, so you have to have people knowing what's expected of them, and being free to make the change that must be made.

JEWETT: Have you ever had a crisis like that? Could you give an example?

DONNELLY: Well, just in any downturn, for instance, in this latest one that we had this past winter--it was another very severe one. And we had a president that really went right to the organization with the problems. And it made all the difference in the world. We had a very rapid turn around. We've got more business now, we're just in much better shape than we were.

JEWETT: That's really good. How does the future look?

DONNELLY: Well, it's very much of a question, you know. As far as the general economy is concerned, I don't know. I really don't know. There are some serious uncertainties in the American economy that have to get resolved. It isn't just Congress' fault. Reagan came in promising more than he could deliver. He was going to cut taxes, he was going to increase defense spending, he was going to balance the budget. And you can't do it, you can't do it. And there's a lot of name calling going on now, but basically, Congress can't do it. And you've got to stop the name calling, and say, "alright, now let's get on with the show, and see what is best for the country." I think this is a problem with Reagan.

JEWETT: Do you?

DONNELLY: Well, he's blaming Congress, when basically, what's been done is you've put an unreasonable burden on the country. He said he didn't know there was going to be a recession. Well, he has all kinds of economists there who should have been telling him. And he should have had a plan--"What happens if we do have a recession?" And what he apparently thought was that everything was going to go sky high. And, all you've got to do is wave a magic wand and prosperity will come. Well, it isn't that simple. So, the whole international banking system is out of wack, there isn't any country in the world that's prosperous today. There's no force going on somewhere that's really churning things up, and making things better. It looks like what we're going to do is crank up the arms industry to pull us out of the recession. And that gets scary. So, we're in a serious problem. It's not going to go upward.

JEWETT: So, it's not going to be easy for the next few years, huh? How do you feel about the auto industry?

DONNELLY: They're doing many of the things that lead in the right direction, but again, there are some serious problems that face the industry, and the worst thing right now is that nobody's got any confidence in the economy. If interest rates went down to 12%, it would be easier for people to buy cars, but the consumer surveys indicate that they're not in the mood to commit themselves for long term loans. So, it may be that, even if interest rates come down, that there's not going to be an immediate response from the people. Plus, we're very uncertain about the cost of oil. If oil should start to drop, which is possible, it has come down a little bit, now it's starting to harden up. But, if business worsens, and the oil producers find that they need more, that they have to lower the price to keep their volume up, then, all

this business about small cars--people are going to say, "to hell with the small cars"--and "we want big cars." And they've scrapped all their ability to make big cars. And you'd have to turn all that around. It would be chaotic.

JEWETT: I just heard today on the radio, that they've found that big cars are selling.

DONNELLY: Yes, people want the big cars. If the oil stays down, there are going to be more and more demands for the big cars. Now, that happened in '74. There was the oil embargo that was on, and people got scared and wanted fuel efficient cars, and a lot went out and bought what was available then, and six months later, oil was plentiful again. And for the people that sold those cars, there was no business at all. People weren't happy with them. I think we've got better small cars now. People's minds aren't made up on what they want yet.

JEWETT: You've succeeded in your life, with getting this company going, and in your work with participative management. Do you have a personal philosophy?

DONNELLY: Oh, I think that basically, people are capable of much more than they're allowed to do. And they need opportunities to encourage them, and if you make it possible for them to participate more than they normally would, they'll respond well. You know, it's Theory Y, if you want a philosophy, that's what it is. People DO like responsibility, they DO take initiative, provided you don't make it impossible for them.

JEWETT: That's very good. Thank you very much.

DONNELLY: Well, thank you.

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