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De Pree, Max Oral History Interview: Carl Frost Center Oral History Project

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Oral History Interview

Max DePree

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Ryan Harvey

Edited by:

Max DePree

July 5, 1994
3:00 p.m.
RH- First of all, can you state your name, date of birth, and the company you presently work for?

MD- Max DePree, [date removed], 1924, Herman Miller Incorporated.

RH- How long have you lived in the Holland area?

MD- With a couple of exceptions, I’ve been here all my life; in Holland and Zeeland.

RH- Can you describe your educational background?

MD- I went to elementary school and high school in Zeeland, Michigan. I started at Wheaton College in Wheaton, Illinois in 1942. I was there a semester. Then I went into the army. The army continued my education with credits from the University of Pittsburgh, Haverford College, and the Sorbonne in Paris. After the war ended, I came back and finished at Hope College. I have an A.B. degree from Hope College.

RH- Did you have any particular major when you were in college?

MD- I was a pre-med student until I went overseas.

RH- Can you tell me about your first job experiences?
MD- My first jobs were working in the factory at Herman Miller Incorporated when I was in high school, and during the summer vacations. I had a number of jobs in the factory.

RH- What about after you got out of college?

MD- I went to work at Herman Miller. I think my first job there was in the scheduling department.

RH- How did you become involved with your present business?

MD- Herman Miller, from 1923 when my father bought control of the company until 1970, was a family company. So, my father and my older brother Hugh and I worked in the company. I had jobs that included purchasing, and also included for a while, some full-time work in the factory. I was a master upholsterer. I was a cabinet maker for a time. Then I had a number of management jobs, trying to give leadership in manufacturing. Then later a plant on the west coast was added to my responsibility. I was put in charge of sales and marketing, later international.

RH- Eventually, what was the highest position you became in the company?

MD- CEO
RH- At what point did you become CEO?

MD- I became CEO in January of 1980. I held that position for eight years. I retired form CEO at the end of 1987. I’m still Chairman of the Board. I think I was elected chairman of the board 1970 or 1971. I’m not sure.

RH- Could you describe some of the difficulties in the first years of business?

MD- In the period that I was CEO, one of the more difficult things we had to deal with was the recession of 1981, 1982. Another area that took some special focus was due to the fact that we were growing at a very fast rate, during the eight years that I was CEO. Managing when things are successful and growing fast is, contrary to popular myth, it is probably more difficult managing then when things are in a recession.

RH- What kinds of problems has the company faced during recession times?

MD- In recession times, you’ve got the problem of controlling costs, and at the same time, trying to gain market share, when market share over all is dropping. It’s a very tough job.

RH- Did you experience a lot of expansion in the later 80’s?
MD- In the mid-80’s, during the eight years that I was CEO, the company grew almost three times. Our market value quintupled.

RH- Can you describe how you raised the capital over the years?

MD- We went public. We were really forced to do that because of the demands for capital as a result of the growth.

RH- Did you ever take out loans, or issue bonds?

MD- We didn’t issue any bonds, but as far as I can remember, we’ve been continuously borrowing money. I can’t remember a time when we didn’t borrow money.

RH- Were there any particular reasons behind the decision to locate in the Holland area? I’m sure it being a family business was a big part of it.

MD- That was the thing. In a way, the company was born there. That’s where my dad was born, and that’s who the company was. When he got out of high school, in about 1912, he went to work for what was then the Michigan Star Furniture Company. In 1923, he and some of the salespeople bought the company. So we were born there.
RH- What are some of the most difficult decisions you’ve had to make over the course of the business’ lifetime?

MD- One of the most difficult is the fact that when you’re in a growth mode, it’s natural that the company is going to out-grow some of the key people. So dealing with these problems of people who either will not, or can not keep up, is one of the difficulties. I think another major difficulty that we had to deal with, which is more something my older brother had to deal with, was that at a crucial time in 1968, we had to make a decision which was really the decision to bet the whole company on a new office furniture system like which there was nothing in existence. That was a crisis. That was a very difficult thing for him to have to decide to do.

RH- That was the Action Office furniture system?

MD- Yes.

RH- What exactly was Action Office?

MD- Action Office is a system of moveable and rebuildable components which can be used to replace built-in offices in buildings. So that if you had to reconfigure an area, you didn’t have to worry about air-conditioning, and heating, and electrical stuff, all those changes. You could make all these changes
without any skilled trades, and you could make them over night. That took place at a time when the United States was making the transition from being predominately a blue-collar nation to being a predominately white-collar nation. It coincided with that enormous transition in the work force.

RH- What led to the company’s decision to focus mainly on office furniture? Because originally you were more into the residential.

MD- Yes, we were originally a residential company. Well, I’m not so sure. I think there are probably a number of reasons. One is that the market for office furniture, of the kind of design we were dealing in, was much bigger and growing. It was much more feasible to be selling well-designed office furniture, then to be selling well-designed residential furniture. In the United States we’ve never developed a market for well-designed residential furniture, as for instance in Europe and parts of Asia. In the United States, it’s odd being the youngest western nation, we have held on much longer to our own traditional ways of living in our homes. I think another thing that had a lot to do with that was the rate of growth of the office furniture market, which from an industrial point of view gave us the opportunity to gather in a much larger market share.

RH- Has the company ever experienced a crisis situation?
MD- Oh yes, over and over and over. That's normal in business.

RH- Any particular one that sticks out in your mind?

MD- Sure. In the late forties and early fifties, we struggled every year just to break even. It was just a survival mode all the time. In the late sixties, we had a crisis of capital. We were always looking for more capital. That in the end resulted our going public in 1970 or 1971.

RH- How would you describe your management style?

MD- My personal management style?

RH- Yes.

MD- I think fairly open, very participative. I think I motivate people by clarifying high expectations, and by capitalizing on their gifts; giving them the chance to exercise those gifts, rather than trying to either drag it out of them, or pound it out of them.

RH- When did you first become aware of the Scanlon Plan?

MD- I think in 1948 or 1949.
RH- How did you become aware of it?

MD- There were some published materials about it. There was this wonderful book by Douglas McGregor called *The Human Side of Enterprise*, which documented the research basis for the way in which people ought to be treated in a free market system. Then, I think a couple of people from Herman Miller went to a meeting in Grand Rapids at which Dr. Carl Frost, from Michigan State University, spoke. We followed up that meeting, and he came to Zeeland to see us. We had people going to East Lansing to visit with him. The result of those conversations was that we inaugurated the Scanlon Plan in Michigan in the spring of 1950. So, we've had it now for almost 45 years.

RH- What specific activities was Carl Frost involved in at Herman Miller?

MD- He was involved as a consultant whose primary focus was guiding us in the installation of the Scanlon Plan. That involved his consulting in a variety of areas. Most of which had to do with developing competency in building and nurturing relationships, and in understanding the consequences of good relationships in industry. He was also a consultant, I would say, in certain areas of the financial side of the business. Those particularly relating to cost of labor, and elements that related to the cost of labor.
RH- Could you describe to me what you feel the Scanlon Plan is in your own words?

MD- The Scanlon Plan is actually an idea, basically. It's a process. It's a process that enables a growing number of people in an organization to have a meaningful share in what has to go on in that organization, to serve customers, to serve employees, to serve owners, to serve the public. It's a process that is built on the assumption that the great majority of people are well motivated, come to work as adults, need the opportunity to meet their personal potential at the same time the organization meets its potential. I think that one of the important things about the process is not just the fact that it produces a productivity gain-share, but rather that it honors the principle that everybody in an organization has a right to a fair share in the results. That's a very important principle in relation to this idea of the Scanlon Plan.

RH- What led to the decision to implement the Scanlon Plan?

MD- I think two things. One is we were having severe problems being successful. We were having a problem controlling our costs, and a problem making a profit. The more important part of it was that when we heard Dr. Frost talk about the principles on which the Scanlon idea was based, that coincided very much with
our family’s understanding of the Biblical principle that everybody is made in the image of God, and therefore, had the right to be treated as an uncommon person. It was a wonderful synchronization there of what we already believed with what psychological research was teaching.

RH- What were some of the obstacles Herman Miller faced in the first years of Scanlon implementation?

MD- When you undergo major change like that, you can depend on the Hawthorn Principle; where generally speaking, change is productive. But you have to combine that with the other side of the coin, which is that genuine transition is difficult both personally and organizationally. So it’s very hard work to affect genuine transition from long standing practices to new concepts, and new beliefs, and some rather innovative ways of relating.

RH- So what has the Scanlon Process meant to your company overall?

MD- I think in the early days it probably meant that the company was able to survive. I think in the later years, moving from the mid-sixties on, I think the Scanlon Plan has been one of the most powerful forces in the maturation of the company for good.
RH- What effect has it had on customers, investors and employees?

MD- For customers, they get a far better product in a far better time frame, and much less hassle, when you have nearly everybody in the company dedicated to what their needs are. For the owners, it has resulted in far above average financial performance. For many years, we were in the top fifteen of the Fortune 500 in terms of our return on investment. For employees, I think it's resulted in above average productivity gain-sharing. It has also resulted in a system in which now everybody who's been with the company for a year or more is a stockholder. They can buy stock at favored prices. In addition to the gain-sharing bonus, we have a profit sharing plan, which is paid out quarterly in negotiable stock. So it's very good for everybody.

RH- How would you describe the principles of identity, participation, equity, and competence?

MD- That's too long a question to get into. Each of those is a 45 minute lecture. You'll have to read Dr. Frost's new book.

RH- Okay. How has the Scanlon Process evolved over the past 40 years?
MD- I think in several ways. One way it evolved is from a scale point of view, because when we started I think we probably had about a hundred employees. Now we have six-thousand, more or less. Another way it evolved is in the breadth of its coverage. When it was initiated in 1950, it covered only the manufacturing employees. We had such little overhead that that didn't matter. But now it covers everybody in this country, and I understand that in our European operation, we also have the Scanlon Plan but it's not the same as the one in this country. So there's a breadth of coverage which is far greater than was ever conceived. I think we have learned over the years how to get better and better at measuring the results that we agree to measure. One of the things that you have to do is you have to define reality. You have to know what it is you're going to measure. So I think we've gotten much better over the years at knowing what has to measured and how to do that, and then at doing it. I also think that over the years we have learned how, in the midst of various crises, we have learned how to depend on the Scanlon Plan, rather than try to by-pass it because we happen to be in trouble. That's a crucial element that we had to learn.

RH- What do you see as the future of the Scanlon Plan at Herman Miller and in American Industry?

RH- It's very risky to talk about the future of anything. For me the Scanlon Plan is not something that you can think about in
isolation from the context in which we’re all working and living. For me, it’s difficult to separate the idea of the Scanlon Plan from the context in which we all live and work. In any company, whether it’s Herman Miller or any other company. The first requirement that has to do with the future of the Scanlon Plan is that the very few leaders at the top of the company, I know that’s a dumb way to talk about it, but that’s what everybody understands, those few leaders are either going to be totally committed to it, or it will never be nurtured. So if anybody takes it with a grain of salt, or uses it as a tactic, or only takes the time for it when they have the time; it has no future. I would say that applies at Herman Miller and that applies to any company. When you’re trying to give leadership to any organization, there are relatively few things that you can successfully focus on. If the leadership doesn’t have a strong conviction about people, and doesn’t understand the potential of the Scanlon Plan, and doesn’t want to take the time to learn about how to do this, there is no hope for it. You see there are a couple of centuries of bad management practice which always outweigh new ideas.

RH- What changes have you seen in the market and your business over the past twenty years?

MD- The largest change in the market has been the shift from fully enclosed office to the open office systems, Action Office
type systems. Another major change that has taken place is that we have moved from an industry in which there were perhaps a dozen large companies and dozens of small companies to the point where we have just a few large companies. You see now we’re down to about eight large companies which dominate the office furniture industry. Many of the smaller companies have either been acquired or have simply disappeared. Another thing that’s related to that is that the distribution, office furniture through dealers in this country, is as well dominated by the eight major companies. So the smaller company has a very hard time breaking into that distribution system. Those are the major changes in the last twenty years.

MD- What kinds of changes have you seen in the Holland business climate as Holland has grown and developed?

MD- I really don’t know that I’m qualified to talk about that. I don’t pay much attention to that.

RH- Could you describe what kind of effect the designers have had over the years at Herman Miller?

MD- Design has been integral to the company since the early thirties. It’s never been seen as an element or a tool of marketing. It’s always stood on its own two feet at Herman Miller as integral function. That’s been one of the secrets of
the company's success. Certainly one of the secrets of its leadership has been our perception that design stands by itself in that kind of a relationship. The fact that we saw it as so important is also at the heart of why we've gotten so good at it. The consequence of that has been that we have led the industry year after year after year in the design of new products.

RH- Has the business turned out the way you originally envisioned it?

MD- I can't say that I had any original vision of where it might be.

RH- If you could go back and change any of your business decisions, would you?

MD- Yes, but, you know, you don't get to do that in life so it becomes a moot question. If you asked me the same question about my life as a husband, or my life as a father, or my life as writer, or whatever; I'd have to say sure there's a lot of things I'd like to change, but I'm not going to have the chance. So, I don't spend any time on that.

RH- What course would you like to see the company take in the future?
MD- That’s kind of interesting because, you understand, I’m going to be seventy years old this fall. I’ve been retired for six and a half years as CEO, and it isn’t that I’m not interested in the company. Being Chairman of the Board, I’m still interested in the company. But I haven’t felt any need to try to hang on to what goes on around there. I felt really good about the people who succeeded me. I’ve moved on to other things. I’ve really had a new career as a writer, and in the work that I do on a few non-profit boards and as a mentor to a number of people. So, I’ve got a new life. You see the answer to your question risks being misunderstood. But when you ask about the future of Herman Miller, I have to say that’s no longer such a big part of my life. It’s a part of a minority of my life as it relates to my responsibilities on the board of directors, but I only have another year or so to go there. I’m into all these other things. I have a new life, and a different life. The future of Herman Miller is somebody else’s joy and problem.

RH- Do you see Herman Miller possibly diversifying into fields other than its traditional office furniture and health care products?

MD- I think so, but I don’t know what that’s going to be.

RH- What advice would you give to a young entrepreneur?
MD- I don’t know enough about entrepreneurship or about today’s business climate to give anybody advice.

RH- How about a young middle manager getting into the business field?

MD- I think that one of the things that people who are for instance getting an MBA, and who are very active in getting an MBA says I’m going to try to move ahead in business. I think that in addition to all the special skills that come with an MBA, they should recognize the things that are not being taught in MBA schools. So for instance, one of the things that a person ought to do before trying to move up into management is to get a job working under managers, so that you learn to understand work and the people who do work, which is one of the ways that you become qualified to give leadership to those people. I think another thing that’s very difficult to come by in today’s business education is any sure sense of ethics. People in business schools are really struggling with that problem, partly because they don’t want to go back to a morality based ethic that’s rooted in religious faith. So I’d say that whether or not the particular business entity you may be with from time to time makes any demands from an ethical point of view, it’s terribly important for one’s own life and one’s own future to settle that issue. You do have to understand what ethical behavior is personally, not just in business, but in your family, and all the
things that we do. We do have to have some rootage for that. That’s about the only advice I’d want to try to give.

RH- A lot has been said about the work ethic in West Michigan. Do you feel that has had any effect at Herman Miller?

MD- Yes. For all the years that I was in business, I think the West Michigan work ethic was both very good and very important. We also have a lot of experience in the way in which we interpreted the Scanlon Plan in a variety of settings. That experience tells us that the research done by Douglas McGregor and the people who worked with him originally is valid. We have practiced the Scanlon Plan in other parts of this country and in Europe with very diverse populations, and changing populations in our plants. We’ve done it with both male and female leadership. We believe the principles apply. We believe that in a wide variety of settings, the principles of the Scanlon Plan are truly applicable.

RH- Could you describe some of the community service projects the company has been involved in?

MD- The company has a strong record. But mostly unpublished because it has the feeling that it’s poor manners to seek credit for what you do on behalf of somebody. So, we’ve never spent much time talking about it, but we have a strong record of
community service and community support.

RH- In your own words what is the mission statement of Herman Miller?

MD- I don't have one in my own words. Herman Miller has a published mission statement which you can get. It's not hard to get. It's all over the place, but I don't have one for the company other than that.

RH- That takes care of all my questions, unless there is anything else you'd like to say...............Okay. Thanks a lot.