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Donnelly, Bernard Oral History Interview: Carl Frost Center Oral History Project

Ryan Harvey

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Oral History Interview

Bernard Donnelly

Conducted and Transcribed by:

Ryan Harvey

Edited by:

Bernard Donnelly

July 25, 1994
11:00 a.m.

RH- First of all, could you state your name, date of birth, and the company you presently work for?

BD- My name is Bernard Donnelly. I was born on July 30, 1916. I'm currently a former employee, and former director. I enjoy the status of Director Emeritus, an honorary title.

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

BD- All my life.

RH- Could you describe your educational background?

BD- I attended St. Francis parochial school up to the eighth grade. Then, I went to a public high school, Holland High School. Upon graduation, I attended the University of Notre Dame for three years. I attended NorthWestern University for two summers. I graduated from the Catholic University in Washington D.C. Then, I attended Georgetown University for a year of post-graduate study in economics.

RH- Could you tell me about your job experiences either before or after college?

BD- My first job was a job in a rubber company which I had during the summer vacation from Notre Dame. That was an

interesting experience because my job was to cure samples of rubber on steam presses whose temperature was about 360 degrees. That summer we checked with the laboratory thermometers the heat in the lab. For two weeks it ranged between 104 and 110. So, that was my introduction to industry. I lost twenty-five pounds that summer, got it right back once I went back to school.

RH- How did you become involved with Donnelly?

BD- My father started the company. Upon graduation, I went to work for the company. My father had died in 1932, December. My brother, at that time, was in his last year at Notre Dame. He dropped out of Notre Dame to undertake the management of the company. He did so for several years until the urge to become a priest became somewhat, it had always been in him, it came to the forefront. He resigned from the company. Another person was engaged in his place. John went to the seminary for about 4 years. It was under the auspices of the substitute manager that I came into the company. It was in 1938 that I started working for the company. About 1942, because of management problems that occurred during my brother's absence, the manager that we had engaged was released. My brother returned presumably on a temporary basis, but it became a permanent arrangement. I'm certainly pleased because he was outstanding as a manager.

RH- Throughout all that time, it was solely a family-owned

business?

BD- Totally family-owned.

RH- What was your first position when you were hired at Donnelly?

BD- They put me to work at my highest skill. I drove a truck and I cleaned glass. It took me several years to learn that. Then my brother thought that I ought to get into the manufacturing end of the business. He thought that I should be in charge of manufacturing which at that time was at a much more modest level than it is today. Sales were led by another employee. This man turned out to be an unfortunate choice. Since my real inclination was not in the manufacturing end of the business, but more in the direction of sales and personnel relations, I was transferred then to sales. I conducted sales for some years.

RH- What was the highest position you ever attained?

BD- I became Vice-President in charge of sales. Then, because of problems in the manufacturing end of the business, I was asked to move into the position of VP for Manufacturing. We were under the threat of union membership. My first real task was to dissuade people from that endeavor. We did make quite a number

of changes in our way of doing things to improve working conditions. So we did not at that time, or since, achieve a union status. A number of changes were made in the way people were treated as employees, and accommodations they had as employees. I think that was not really the beginning, but a step in the direction of the Scanlon Plan. We were not aware at that time of the Scanlon Plan, but my brother engaged other consultants in the meantime to improve the way we conducted our affairs. Nothing had the kind of benefits that we ultimately received from the Scanlon Plan.

RH- What were some of the difficulties you experienced in your first years a Donnelly?

BD- We were a young company in the fields that we were engaging in. We maintained the business in the furniture industry, but the furniture business was going south, you might say, literally. The manufacture of furniture was gradually being transferred from Western Michigan to North Carolina, South Carolina, Virginia, where much lower labor rates were involved. So we had to replace that business with some other activity which would be reasonably remunerating. The one big thing that came to our attention was the prismatic rear-view mirror that General Motors was attempting to introduce into their cars. Some other company was making them, but not doing a very satisfactory job. Because of a company that my father had started before he died, the Duffy

Manufacturing Company, there were connections to the automotive industry. Through these connections we learned about the prismatic mirror. My brother being a technician that really went to work to see how you could generate a prismatic mirror. We embarked on the only technique that was available to us at that time which was optical shop methods, which meant establishing a framework in which individual pieces of glass could be placed on an angle. Then, generating the flat surface on the angled portion of the glass, so that it became a prism. Then, trying to restore the plate glass finish through increasingly fine grinding materials, then ultimately polishing the glass. That was a very laborious process. I think if we would have continued it, it would have broken the company. The production was too limited and the cost was too high. I shouldn't say this, but I guess it was fortuitous that World War II came along at that time. All auto production was discontinued. So we were saved from a very bad situation.

During the war, we got into producing parts that involved special grinding and polishing for the military purposes, aircraft instruments, gun sights. Here again, special grinding and polishing was involved, but by that time we became aware of the diamond grinding wheel which was the technical breakthrough that eliminated the need for loose abrasive which generally gave us a lot of trouble. We could apply different grinding wheels, each of which were of a finer grinding compound than the loose abrasive. So, we became quite adept, you might say, at

generating glass of various thicknesses and various configurations using diamond grinding wheels, and polishing wheels. That was an important step forward. It put us in the position, upon the cessation of hostilities, to get back to the rear vision mirror on a much better basis. So that's what happened. That became, for many years, the main-stay of our business, to the point that we ultimately went out of the manufacturing of furniture mirrors, and decorative mirrors for homes. We're almost entirely engaged in automotive mirrors. Since that time we have gotten into windows for automotive purposes, and other special things which have also enlarged our volume very substantially.

RH- Did you have to hire a lot of new technicians when you began manufacturing the prismatic mirrors?

BD- We almost had to hire and train people ourselves. We needed technicians, but we had to do with what we could get. This was war time operation initially. So there were not technicians available to us. You had to learn on the job and teach others on the job. It made our job a little difficult. John was very good at that sort of thing. He got people technically minded.

RH- Did you have to buy a lot of new equipment?

BD- Yes. We got new equipment that was completely foreign to

our normal operation. Blanchard grinders which are used in the machine shops, and Cylmdrical grinders, that sort of thing which we had to adapt to our purpose. I must say they worked very well.

RH- How did you raise the capital to expand the business over the years?

BD- Borrowing. Initially we had been able to raise our level of profitability through technical means. Demands were relatively modest for expansion. One way that we kept them modest was instead of building a new building externally. My brother conceived the notion of digging out under the old building there on Third and River. This gave us quite a bit more room at a modest cost, and kept us with adequate space for some years. By that time we were reasonably profitable, and could basically cover our expansion needs ourselves; until we grew so fast we had to call upon bank accommodations for the buildings.

RH- Did you use local banks?

BD- We used the Union Bank in Grand Rapids.

RH- Had you ever considered locating the business somewhere other than Holland?

BD- Well, I don't think anyone in the family wanted to have the company moved. The automotive market was generally within fairly close range of Holland. We knew the sort of labor supply which was available to us in Holland. There were good labor supplies. The work ethic in Holland has always meant sturdy, efficient, and effective employees were available through local schooling. So there really wasn't much advantage to our moving elsewhere, until our growth got to the point that we had to have facilities closer to new facilities of the automotive companies which were in more remote areas in other parts of the world.

RH- What are some of the most difficult decisions that you have had to make over the course of the business' lifetime?

BD- I guess the most important decision I had to make was whether I was going to stay with the company or not. Having made that decision, I think the rest was relatively easy.

RH- Any decisions concerning the course of the company?

BD- I can't recall anything offhand.

RH- Has the company ever experienced a crisis situation?

BD- It was a crisis when my father died in 1932, the depth of the depression. A young man who really had no management

experience, only the good sense that he had, had to take over. All of the furniture companies, all of our customers were operating at low ebb, if they operated at all. That was a crisis. Then, the death of my brother, when he very suddenly and unexpectedly died. That was a crisis for the company. I suppose you could call World War II a crisis for the company because we had to completely change the product line.

RH- How would you describe your management style?

BD- I would think over the years, it has improved very substantially. I think the style of the Donnelly Company is to let people at the lowest level of management assume as much responsibility as they were capable of. I think that's been a very important contribution of the Scanlon Plan, not only to the Donnelly Company, but to all the companies that have used the system. Most of us were trying to tell people what to do, and hope they would do it. But by making the employees themselves, giving them a share of the responsibility for how the jobs were to be conducted, what kind of equipment to use, and type of operating systems, how to cooperate within the company between departments. This was all worked out within the Scanlon system. It was very important in creating a human environment for workers.

RH- How and when did you first become aware of the Scanlon Plan?

BD- I think we first learned about it through Herman Miller, Inc. in Zeeland, which had engaged Dr. Frost to do some consulting for them. Through that communication, we engaged Dr. Frost to assist us in the same sort of way. He is a remarkable person. It's hard to believe in the way that man has transformed the industrial atmosphere in Western Michigan, and now in other parts of the country as well. He started off in Western Michigan then broadened the field very substantially. One of the major forces I think in industrial relations over the years has been Dr. Frost and his organization.

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

BD- He just "shmoozed". Basically that's what he did. He would talk to people. Then, he'd come back and tell my brother what they talked about, and inquire to what my brother's reaction was to this. My brother would always think rather long hard thoughts about some of the things that he might not have been aware were going on, might not have approved of them. Always we came up with practical solutions. Seldom did it involve the separation of the people from the company. It might have involved the reassigning of duties. Generally it involved improvements in the way the company handles situations. Nobody is perfect. Even though the company today operates very differently from what it did when I was there, there's still room for improvement. It's

hard not to back-slide into ways of doing things that are not really helpful. Every time you get new employees you have the possibility for injecting some of the older ways into the company. Fortunately they're doing very well in maintaining the spirit of the Scanlon Philosophy.

RH- Could you describe what you feel the Scanlon Plan is?

BD- It's a way of running a business so the people are able to use their own minds and their own talents to invest in their ability to achieve the most harmony and the most effective operation. The more you give people responsibility, the more they respond to it, and the better things go. Of course, the objective also is to properly reward people, give them a share of the benefits of the improved operations. That's an important part of the Scanlon system too.

RH- What was the original Scanlon Plan like at Donnelly?

BD- It was not easy to get people to understand the Plan, some would and some would not. Some were comfortable with the way things were run. They felt a change in the way things were done would be an intrusion on their way of life. Generally through discussion and urging, it was demonstrated that it was an effective way. The first time you pay a bonus, it opens people's minds and their hearts. It's the first bonus that's the hardest.

Getting people to trust the company, that the records they kept are going to properly reflect the changes in efficiency, and money is actually going to change hands as a result of these records. It's hard to get people to believe that this is actually being done on an open basis. Over the years, it's been demonstrated. People accept it. It has become a way of life.

RH- If you miss a bonus after having paid a number in a row, does that seem to affect the attitudes toward the Plan?

BD- If it can be demonstrated that the failure to get the bonus had a logical reason, either in a mistake that somebody in the company made, or if it was impossible to get certain materials in time to get certain work done, so volume was at a lower level. You generally track the problem to its source. The source would give you the answers to whether it was a reasonable reason for not making the bonus. Generally, unless bonuses were not paid on a protracted basis, there was give and take on both part of the management and people. The company was generally, I think, considered to be operating in good faith.

RH- How did you see the Scanlon Plan change over the period you were at Donnelly?

BD- I'm not familiar with the way the Plan is being administered today. So, I really can't give you a good answer, but I think

the plan is quite similar to the way it was from the start. It's the attitude of management first, then, the management of the people second, that created a condition under which the plan is operated, also the conditions under which changes are made. When aspects of the Plan have proved to be a little bit awkward, changes have been made to accommodate the situation. I'm sorry I can't tell you exactly what has gone on. My memory isn't that great, and I'm rather removed at this point in time.

RH- What has the Scanlon Plan meant as far as its impact on customers, investors, and employees?

BD- Customers, generally, aren't so concerned with what kind of relationship you have with your employees until they see that there's something special. Either your relations are terrible and that's affecting the kind of quality that you are getting out, or the relations are so good that they elevate you above what other companies do. I think that is the kind of result that the Scanlon Plan has made for the Donnelly company. It has elevated the quality of the products, the efficiency of the products, the way our employees communicate with our customers and with each other. I think that has gone a long way to improve the marketability of our products.

RH- Have you seen an increase in the quality of your products due to the Scanlon Plan?

BD- Yes. It's a constant check on quality in all the departments. It seldom dips. It's always in an upward track. We've gotten awards from the car companies that do give awards for quality. We've gotten just about every award that's possible.

RH- Had the principle of identity, equity, participation, and competence become part of the Scanlon Plan while you were there?

BD- Oh yes. They were there. I think they've been more carefully defined in recent years, but they were there in principle. They're now in practice as well.

RH- Can you think of any examples of any of the principles at work at Donnelly?

BD- I suppose I could but there are probably so many of them I wouldn't know where to begin. It's a pervasive way of doing business. It penetrates every aspect of the way people deal with each other, and the way you do your job. So it's hard to pinpoint any one of those.

RH- What do you see for the future of the Scanlon Plan at Donnelly and in American industry in general?

BD- I think the future of the Scanlon Plan at the company is

certainly secure. I would expect that we will continue to improve the way people in the company act, and the way the company treats the people. I'm sure that it will continue to affect our relationship with our customers because they are the key member of the equation. The customers, the management, the employees, and the share-holders are all a part of the system. We have to work together.

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

BD- The market has become increasingly competitive, and increasingly quality oriented. The penetration of the Japanese automotive companies into the United States market has required that the car companies mend their ways. We were very late in coming to the realization that they had to do more than make cosmetic changes in their products over the years to make them look a little nicer. They had to improve the endurance, the quality, the performance, the comfort, the safety. So many things they had to do to improve their product, they hardly knew where to begin. As a result, the car companies in the United States have come out of their slump. They're doing really very well. If they had not responded, they'd be broke. They were a long time making up their mind that the "Japs" were serious, and had to be contended with. They gave the Japanese the small car market. Just walked away from it, and gave it to the Japanese.

Let them open the door, so that they could come in later on with their bigger cars.

RH- Has Donnelly been able to get into any foreign markets?

BD- Oh yes. Donnelly Company for years has had a market in Germany for its prismatic mirrors. We have increased our interest in Europe to the point that about thirty years or so ago we started a our first foreign plant in Ireland. Since that time, we have expanded our market in Europe. We are now building another plant in France. We are just activating a new plant in Mexico. So, in addition to the new plants we have in Michigan and other parts of the United States, we are establishing a market abroad.

RH- Have you seen any major changes in the business climate of Holland as it has grow and developed?

BD- I see the Scanlon Plan or its off-shoots predominating in Holland, and attracting more and more companies to the area. The success of the companies that engaged in the Scanlon Plan, I think has opened the eyes of outside companies to the advantages of doing business in Western Michigan.

RH- Did the business turn out the way you originally envisioned it?

BD- Better. I'd say it exceeded my expectations.

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

BD- I probably would. I won't say what.

RH- What course would you like to see Donnelly take in the future?

BD- I'd like to see them, of course, do more of the same. I think the company is going to have to become able to operate on a much higher level than we are now. We have grown very substantially, and our methods have changed. I would think the structure of the company will probably have to change to accommodate the ever increasing market for our products. The level of responsibility is growing. The kind of management we have now will probably become inadequate in years to come. So, we have to prepare the way for increasing that responsibility. The company is a public company, but it's family dominated. Whether that domination will be for the good of the company in years to come will be up to the family to see how the family can adapt to the major changes which come. If the family can not do so then they'll really lose the moral right to maintain dominance within the company. These are very important factors that are going to be traced by the company and by the Donnelly family.

RH- Is there any possibility of Donnelly going public?

BD- The company is public owned now to a modest extent. It may be necessary to become more public because the demands for capital for expansion purposes. I presume that when that happens, it will be accommodated.

RH- What advice would you give to a young entrepreneur?

BD- Get all the technical information you can on the operation of business and on dealing with people as human beings.

RH- Do you feel the work ethic of Western Michigan has helped the company at all?

BD- I don't know that it's a unique work ethic, but it's certainly well above average. I think the Dutch people that came to Holland got us off to the right start. They have always been of a mind that they should do a good day's work, it's part of the way they're brought up. They also feel they should be rewarded for it. I think they're right.

RH- Has the company been involved in any community service projects?

BD- The company, I don't know that they have, but I know many

members of the company have been involved in community service projects. So the extent of it, I couldn't begin to say.

RH- In your own words, what is the mission statement for Donnelly?

BD- I think they probably have a good mission statement, which I can't recall right offhand. It has to do with the needs of the management of the company, the needs of the share holders of the company, the needs of the customers of the company, the needs of the public, and the needs of the employees, not necessarily in that order. They have to be dealt with, and to eliminate any one of those from consideration, or to give it a back seat would operate to the detriment of the company. Therefore, fairness to all is imperative, and to have an inquiring mind at all times about new opportunities and better ways of doing things.

RH- That takes care of my questions. Is there anything you would like to add.....Okay..thanks.