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

Ryan Harvey

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Rewritten Oral History Interview

Carl Frost

Edited Version

June 22, 1994

RH First could you state your name and date of birth?

CF My name is Carl Frost and I was born October 5, 1914.

RH Could you describe your educational background?

CF Beginning with only the ability to speak Danish, I began and completed Elementary School in Portland, Oregon. I was graduated from Jefferson High School in 1932. The Principal, Hopkins Jenkins, a Yale University graduate, was a genuine intellect. He and an excellent devoted faculty challenged me academically and personally to become President of the Debate Society as well as President of the Latin Club. These years were the well-known Depression Years.

With unique wisdom, my Father with only a fourth-grade education, already supporting my two older sisters in the University, encouraged me to enroll at the Benhke Walker Business College because employment was almost impossible to find. I completed a curriculum of cost accounting and stenography. These skills enabled to work as an accountant and as a court reporter during the next several years of interrupted undergraduate and graduate programs. These work experiences proved to be excellent practicum programs: as the accountant of United States I merged them into the Greyhound Lines; as court reporter I became a senior Federal Court reporter; as a stenographer I became the Assistant to Mr. Winch, the General Manager of the leading Portland, Oregon daily newspaper, The Oregon Journal. I earned my Bachelor of Arts Degree at Oregon State University, majoring in Chemistry and Zoology (I was the Reader Assistant to Dean Smith in the year-long course in Shakespeare). I became interested in Psychology and inasmuch as there was only one course in Psychology offered at Oregon State I took advantage of Dr. O. R. Chambers' offer to bring a sandwich and have lunch with him in his Office twice a week. I accompanied him every other Saturday to his consultation at the Mental Institutions in Salem, Oregon. These experiences established my interest in Clinical Psychology.

I took my senior year of undergraduate work at the University of Oregon Medical School in Portland, Oregon. After a year this experience terminated my pursuit of the medical degree. I accepted Dr. Chambers' advice to pursue a Masters Degree in Psychology and Statistics at the University of Oregon in Eugene, Oregon. My interest became increasingly focused on Clinical Psychology, which was an emerging discipline. After earning the Masters Degree I applied for an Internship at Worcester State Hospital in Worcester, Massachusetts, the only such professional opportunity. I was one of six candidates selected nationally for a year of intensive full time training. Inasmuch as I was now pursuing graduate work on the East Coast, I applied for graduate school admission to follow the internship. I was accepted at both Harvard and Clark Universities; however, Clark offered me the essential Fellowship. Worcester State Hospital was the leading research institution in the United States with such leading clinical psychologists as Dr. David Shakow (he became head of National Institute of Mental Health), Elliott Rodnick, Saul Rosenzweig, et al. It was an exciting year of learning. After the year I remained on the Staff and began pursuing the course work for the Doctorate Degree at Clark University. World War II interrupted my graduate program for four and half years. However, I had completed the Comprehensive Examinations before active duty. I returned and completed my research at Worcester State Hospital and earned the Doctor of Philosophy Degree in Psychology from Clark University 1948. Dr. Elliott Rodnick was my Chairman.

RH The internship was at a hospital you said?

CF At Worcester State Hospital in Worcester, Massachusetts. It was a leading treatment and research institution with two thousand men and women patients. The research was focused significantly on schizophrenia at that time. The internship was however extensive as well as intensive--personally and professionally.

RH Can you tell me about some of your first job experiences?

CF My first job experiences were included in my academic training as accountant, court reporter, and stenographer to pay for my education programs, with the necessary interruptions of months to a year in length.

My first full-time professional job was as an Officer in the United States Navy in the Psychology Section. The assignment was the selection of the aviation cadets in Philadelphia and then New York City. After a year the assignment became somewhat redundant because of the adequate backlog of candidates, and I requested transfer to Navy Line Duty in Air Intelligence. After brief intensive training I was assigned to squadrons in the Central Pacific, covering the Marianas, Okinawa, Iow Jima, etc. and served as the Executive Officer the last fifteen months.

Upon my return to a Navy Reserve status to complete my doctoral research, I contacted Dr. Douglas McGregor at MIT. He had been an early intern at Worcester State Hospital and after a seminar he had indicated an interest in my contacting him after the War. He invited me to join their faculty, which was primarily in Economics with Paul Samuelson, Douglas Brown, Charles Myers, et al, but became eclectic with Knickerbocher, Lewin, Bavelas, Levitt, Strauss, Schultz, et al. I had not ever anticipated becoming an educational professional. This assignment was a fantastic introduction. Fortuitously, I met Joe Scanlon the first day of my assignment and was housed in an adjacent office at MIT. My academic career continued at Michigan State University where I served as a professor for over thirty years. I retired in 1980 to continue my studies and research independently of the University.

RH Could you tell me a little about your experiences with Joe Scanlon, and the development of the Scanlon Plan while you were at MIT?

CF Joe Scanlon joined the faculty of MIT at the personal invitation of Doug McGregor. Doug McGregor was very interested in the human relations in organiza-

tional settings and had been spending his summers in Pittsburgh, the Steel Capital of the World, working with both the management and the United Steel Workers Union. Joe Scanlon was the Associate Director of Research for the Steel Workers Union, and came to the attention of Doug McGregor. Joe Scanlon had been significantly involved in the Union's cooperative role in increasing productivity during the critical years of World War II. McGregor saw a real need for Joe's ideas of developing cooperative relationships between the unions and management, particularly because the graduates of MIT (primarily engineers at that time) became industrial leaders and managers of major companies, most of whom were organized at that time. McGregor invited Joe to join the faculty at MIT and arranged a joint appointment with the Trade Union Scholars at Harvard University. (Twenty five Trade Unionists from throughout the world for a year of study)

Among the faculty I was one much interested in what Joe had done and was doing, so quickly accepted his invitation to join him in his explorations with companies. (Our mutual backgrounds in accounting proved compatible with the evaluation of the financial information of these companies.) (Joe had finished two years at Ohio State in Engineering/Finance, when he went to work in the steel mill to accommodate the financial needs of his mother and two sisters.)

Early in our acquaintance Joe invited me to accompany him to the Lapoint Machine Tool Company in Hudson, Massachusetts. It was an exciting afternoon visiting with Mr. Prindville, the President and Owner, and Mr. Dowd, the General Manager, as well as the Union Officers, Fred Lesieur and Jack Ali. The relationship after World War II had become very adversarial. This situation was typical of many organizations at that time. There had been a freeze on all wages during the War, so the Unions were very aggressive seeking reprieve. The owners were anticipating a post-war depression and resisting any attempt to increase wage and salary cost increases. There had been an eighteen-week national strike of the United Steelworkers. Mr. Dowd had other more significant company investments.

The local union members had few, if any, other employment opportunities so they were somewhat desperate to save their jobs, but far from cordial after that extended strike. Therefore, the situation was tense. Even though Joe was always a loyal and committed Union person, he was objective, realistic in evaluating and positioning himself to help clients to help themselves. If management and the union had not resolved to accept each other and to commit to finding a solution together, Joe withdrew from the situation. Therefore, our involvement included the psychological, sociological, economic, and financial aspects of the situation. Joe was sensitive and skilled in addressing all of these factors.

RH Could you tell me a little more about how the Scanlon Plan developed while you were at MIT?

CF Continuing the Lapoint Machine Tool Company situation, it was a classic example of the early version of the Scanlon Plan. Joe was interested in developing a cooperative relationship to primarily increase productivity so that the company might survive as the local union and its members. We began with a series of meetings with the Union Officers and eventually with all of the members sharing with them the facts that we had gathered from studying the company records and sharing with them our evaluations--always emphasizing that the situation with all of its negative as well as potentially positive factors belonged to them. We had no vested interest in their accepting our ideas. If they wanted our inputs we could be reached at MIT. It is clear that the first principle of the Scanlon Plan was Identifying clearly and convincingly that past performances, practices, and relationships were no longer adequate, appropriate, and even obsolete. The process of Identifying was fundamental Education of the management and union officers and then all of the rank-and-file employees. (The principle and process were not specifically thought of or labeled at that time.) The second principle of Participation was the opportunity which management, Mr. Prindeville--the President, had to provide, rather than

abandoning the company. The second principle then required the active and genuine involvement of the employees in owning the problems and becoming personally responsible in increasing productivity. (These experiences led to the later definition of Participation as the opportunity which only management can give and the responsibility which only the employees can take in their areas of competence.) The process of participation at Lapoint Machine Tool involved the establishment of Production Committees throughout the company with the stipulation that the elected Committee Members be the most trusted and competent representatives to increase productivity, and not necessarily their elected union stewards. (This procedure was an early recognition of the principle of competence and the need for change in relationships from being adversarial to cooperative with mutual commitments.)

To establish and facilitate the education process and to assure the participation process of management providing the opportunity and the employees accepting the responsible ownership, the monthly Screening Committee meeting with the Production Committee Members was established to implement the principle of assured Equities of the Customers, Company, and Employees. The process of Accountability was the natural but essential sequence of the Education that assured literacy of the right job and doing the job right and then of the Responsible Ownership that assured improved performance, more efficient practices, and changed relationships. This vocabulary of terms and concepts is the distillation of several decades of consultation. It began in situations in which management had been arbitrary and unilateral in what they told or shared with their employees. The primary term was cooperation and the objective was increase in productivity. MIT accepted these Scanlon excursions to Lapoint Machine Tool, Everett Drop Forge, Tubular Rivet, and the Towle Silver Company as entrepreneurial program of Joe Scanlon acceptable in the Department of Economics, but with no lasting commitment to the pursuit of the psychological, sociological or organizational impacts or potentials of the concepts. (Doug McGregor left MIT to become President of Antioch College in

Yellow Springs, Ohio for over six years. Joe Scanlon died in 1956. It was late in the 1960's when Doug McGregor had returned that the Sloan School of Management was established at MIT to develop the concepts of organizational behavior and organizational development.)

RH What caused you to move to MSU?

CF MIT made the official decision that they were not going to pursue or establish this Social Science area in 1948 and 1949. Joe and I discussed at length the implications of this decision for him and of course for myself.

Inquiries were developing in the Midwest; Joe had established the Scanlon Plan at the Parker Pen Company in Janesville, Wisconsin.

Therefore, fortuitously, after a presentation of my Doctoral Research at the American Psychological Association Convention in Boston, Dr. Harold Anderson, Chairman of the Psychology Department and three Department members, came to our home to explore the possibilities of my coming to Michigan State University.

President John Hannah realized that Michigan was going to become a significant industrial state and that the Land Grant philosophy would have to address that change and demand as innovatively as Michigan State University had fulfilled the agriculture need of the State and Midwest. They were intrigued, and I believe daring to invite a traditionally trained and experienced clinical psychologist to explore industrial implications. After several visits over the next eighteen months with the faculty members and President Hannah, I was convinced that their interest was genuine and that they were personally and professionally committed to give me the opportunity. President Hannah had some difficulty accepting my role as a consultant spending considerable time at the client sites, as the agricultural extension needs had been primarily served by the clients coming to the faculty at Michigan State University. (He asked, "if I wanted to be a consultant, why didn't I hang up my shingle on State Street in Chicago?") To satisfy that concern President Hannah concluded he would "buy me into the University and all my consulting fees would accrue to the University."

I believe I convinced President Hannah and the Psychology Department faculty that my experience at MIT had shown that for bright students of managerial competence there was real need and potential in intimate involvements in company operations at all levels--emphazing organizational behavior as well as initiating organizational development. In addition to the scheduled classroom programs, the field experience was an exciting and innovative teaching opportunity and a demanding learning experience for the students. President Hannah supported the experimental approach, but he made it very clear that he expected me to be a conspicuous faculty "citizen", accepting my responsibility in the department and university governance.

Because of the novelty of my appointment, I wrote a very detailed letter as to my expectancies of the assignment to Dr. Anderson, the Chairman of the Psychology Department, and to President Hannah. (Within a month of my acceptance, Dr. Anderson wrote outlining his expectancies, which were in genuine contradiction. I telephoned and withdrew my acceptance. The misunderstandings were corrected before we left MIT. I arrived at the beginning of the Fall Quarter.)

The experiences of the first year of the program proved to be critically fortuitous. By invitation from an Industrial Executive Group (a common practice at that time) I made my first field presentation in Grand Rapids. Minimizing my clinical identity I developed the concept of "Accounting for Human Assets." Mr. D. J. DePree, President of Herman Miller Company, Hugh DePree and Duke Gebben, the Company Controller, were present in the audience. The discussion after the presentation was cordial but not very substantive. However, within two weeks, Mr. D. J. DePree telephoned to request to visit me at the University. I confirmed my interest in such an occasion. Ten days later they did come to my office in a renovated experimental chicken building--not an auspicious setting. After a few pleasantries I simply asked, "Why did you come?" Mr. DePree with a slight pique asked, "Are we welcome?" I tried to assure them they were indeed welcome because Michigan

State University was their institution and committed to serving them. However, I was interested in why they did come. Mr. DePree then proceeded to tell me about Herman Miller Company during the World War II but primarily with their significant change into a new era of "honest-design" furniture, beginning with Gilbert Rohde, George Nelson, Charles Eames--clearly revolutionary changes for the furniture industry. He also expressed interest in labor--his employees--having more predictable work for fifty weeks a year and two weeks vacation. These ideas too were unique at that time. When he had completed this somewhat lengthy history of the Company, I expressed my genuine interest and real delight in learning about these challenging facts. Then I simply stated, "But you haven't yet told me why you came to see me today." Mr. DePree looked somewhat pensive, if not annoyed for a moment, and then said, "Well, we think we could be better. When it comes to the quality of our product, we do not think it equals the genius of our designers. When it comes to our customers, no wife once she has made her decision to buy a piece of furniture wants to wait twenty six weeks for delivery. They want it now. We think we should be and could be better!"

I responded with expressed gratitude and excitement that they were interested in genuine change and had such conspicuous initiative to pursuing fundamental changes. I assured them that I was sincerely interested and that I would find it genuinely rewarding with a student to explore the possibilities with them. This was the beginning of a relationship that continued for forty years.

The second critical experience of the first year was initiated by two telephone calls within two hours from Arvin Lundell, President of Colonial Broach Company, and Don Rand, President of the United Auto Workers Local of Colonial Broach Company, in Detroit. They had heard of the Lapoint Machine Tool Company program at one of their industry meetings. Jim Kennedy, the graduate student, and I had our first meeting on Company site on a very cold day in January. The Company was a very attractive facility subsidized by our Government during the War.

The Company employed over 2,400 persons, all members of the United Auto Workers. At that moment eight hundred of these employees were laid off from the state-of-the-art Heating ~~Treating~~ Department because their product was no longer competitive. We spent the morning with the company executives and their three lawyers from down-town Detroit.

Their lawyer, Howard Simon, summarized the situation as the relationship had become so bitter and entrenched and their costs so exorbitant, that they were at a human and economic impasse. Seventy five employees had lined up in the executive hallway at seven o'clock that morning waiting for a management decision.

We convened with the Union Officers and their thirteen man Committee in the afternoon. Don Rand was bright, well informed, and articulate. They were sincere. They related in detail management excesses and blunders as well as many specific recommendations for cost savings and efficiency potentials as well as family "free loading" as they described it.

After several study visits we agreed to work with them in effecting changes. When we made this decision, we made an appointment to meet with the staff members of the United Auto Workers Headquarters Staff on old Jefferson Street, primarily to establish our University role in study and service for 2,400 of their card-carrying members whose employment was threatened. Their Chief Economist met us and behind closed doors spent two hours reviewing with us volatilly the history of the Labor Movement and villifying us for our audacious intrusion. It was a "colorful" and "heated" session--a memorable soliloquy! Dr. G. summarized the occasion with the assurance that he would forthwith inform Michigan State University that I was an inappropriate faculty member--and certainly no friend of the Labor Movement in Michigan.

The Local Union Committee under Don Rand's conspicuous leadership (Don Rand became one of the thirteen National United Auto Workers Council) decided to proceed with

our assistance. For the first four months the Union Committee refused to meet with management, although Don had some liaison meetings. At that time I suggested to Don it would be appropriate for him and the Committee to consider calling all the Union members to give them a comprehensive report. He agreed enthusiastically. He immediately said the meeting should be in the idle Heat Treat Department. I also immediately advised having their first review meeting in their own Union Hall because they had a great deal of emotional history to work through cathartically before you would expect the members to hear their rationale for a genuine effort to change personally, professionally, and organizationally. (During these first months the Union members with their supervisors had been effecting significant cost savings in their production areas.) My urgent advice to Don was: "it would be over my dead body that I would have the first employee/^{meeting} on company premises." Don said it was very difficult to get all the members scattered over metropolitan Detroit to the Union Hall so the company site was better. Before departing I purposefully met with the Company officers and reviewed the progress to date and the plans for the first employee meeting. I reiterated my warning to Don verbatim: "it would be over my dead body that as management and owners I would permit the first employee meeting to be held on company premises." One week later on our next visit the usually cordial receptionist sadly informed us that "everything had gone to pieces." Just then Don appeared from the factory to tell us they had had the meeting in the Heat Treat Department and they had a wire recording of the meeting, if we should want to hear it. He added, "you had better get upstairs as they will think we are brainwashing you." The Company officers were gathered looking angry along with the three lawyers from downtown Detroit. We were verbally whipsawed for an extended time as having deceived them in every regard. At this point I asked for a few words and said that Don had told us he had recorded the controversial meeting and that we might hear it, and I would like to take advantage of that offer. I turned to the three lawyers and said that inasmuch as they had not attended the meeting

would they want to join Jim and myself. They readily agreed that it would be worthwhile. On the tape, Don Rand opened and closed the meeting of fifty minutes. At the end of the meeting he offered the Company President and Executive Vice President the opportunity to speak, to add, to clarify. Both, as recorded on the tape, complimented Don for having covered all the facts comprehensively and that "they had nothing to add."

When we returned to the Company Board Room, the senior lawyer immediately spoke reporting that he found no fault with the content of Don's presentation--as blatant as it was in criticism, it was "98% true" and indeed very well put together. He agreed that Don could have said it differently, but the content was correct. The professionalism of the attorney was indeed appropriate but also welcomed by us. After a brief discussion I suggested that we recess for lunch, and the President relieved agreed and asked for a suggestion. I said that today Jim and I would like to take the lunch break to evaluate our position and report at two o'clock.

As an indication of the intensity of the learning experience for graduate student, when we sat down for a generous entre of rare sirloin aubeef, Jim interrupted me to say, "Professor Frost before you eat, I would like you to promise me that we will get management to apologize--"eat off the floor"--before we go home today. You remember Don said they would strike if they had to." (Jim was a handsome florid-faced Irish young man, extremely sensitive to etiquette, protocol, and professional deference. This response was most unusual in behavior but entirely consistent with his values of equity.) My response was to quietly assure him that our primary concern was to avoid a strike at all costs--we were expendible. I did not want a strike on my conscience. (Incidentally, Jim became a Professor at the University of Wisconsin and was awarded their Outstanding Academic and Service Professor Award.)

The personal, professional, and organizational significance of these two first-year experiences became dramatically critical the ninth month of my first year at Michigan State University when my Dean Lloyd C. Emmons summoned me to his Office. He was a scholar of mathematics and of conspicuous decorum. He quietly announced that after reviewing my work he had decided that I was not an appropriate faculty member in his College. The terse announcement did not "beg" rebuttal. I reminded him of my letter of acceptance, which he quietly acknowledged he had on file. I reminded him that President Hannah also had a copy and I would request an audience with the President. He assured me that was an appropriate request. I was "dismissed."

I was leaving the next day after teaching for an extended return to MIT, but before I left the Campus the President's secretary telephoned and said the President wanted to see before I left Campus. He requested that I make no decisions to return to MIT or go elsewhere until we had an opportunity to review my situation. On that occasion we reviewed in detail the rationale for my coming to Michigan State University, the relevance of what I had done these first nine months, and the future possibilities. I appreciated his position with his significant Dean and suggested that he investigate my work with at least these two companies before he reached his decision. He seemed to welcome the suggestion. I have only ^{one} bit of evidence that he pursued the suggestion. On a hot August day, Don Rand called me to report that there was a gentleman at the Company asking "all kind of damn questions about Frost." The gentleman would not identify himself or his purposes in asking the questions. I had to think for a few minutes before I associated the possibility that the gentleman might be a Michigan State University alumnus seeking information for President Hannah. I did not ever receive the "pink slip" of termination, so I carried on for thirty years which included two personal invitations by President Hannah to serve in establishing the prestigious Escola des Administracao des Empresas in Sao Paulo, Brazil, and

Dean of the College of Business Administration at the University of Nigeria.

In both situations I had the responsibility of the Professor of Organizational Behavior and Development, but also of the establishment with their staff members extensive affiliations in national industrial companies and institutions in Brasil and Nigeria. The prototype of this academic professorship afforded personal and professional opportunities, responsibilities, and rewards but also identified and established the position and reputation of the institution.

RH What kinds of changes did you make from the original plan that you and Joe worked out together since you moved to Michigan?

CF The concepts and vocabulary that we use today were not present at MIT. The discipline of Industrial/Organizational Behavior and Development only began to emerge in the last 1960's. It is recent relatively in university curricula and in consulting practice. Therefore, the current plan can be interpreted as significantly different, and has evolved primarily in response to the changing industrial economic, social, and political demands. Originally, company survival and success were dependent on having a customer, and that is true today, identifying the customer as a point of origin. However, the process of educating all employees as to the right job and the criteria of doing the job right, and that past performances, practices, and relationships are inappropriate, inadequate, and maybe obsolete has identified employee literacy as of primary and initial importance.

As the process of education was initially the option or prerogative of management, today, the key to participation--not cooperation--is the opportunity to be literate provided by management leadership. It is not an option or prerogative of management. Initially, the employees with their unions and often with the management's collusion chose not to participate and own the problem of change, but limited their involvement and participation to their contractual provisions for compensation, job classifications, and working conditions. Today, participation--not cooperation--and responsible ownership are competitive necessities.

In the early years of the Scanlon Plan the third principle of equity was left to the independent initiatives of the customers, the capital investors, and the employees. The customers moved freely to gain their appropriate quality products and required services. The capital investors changed their portfolios at will. The employees relied on their union contracts for their wages, benefits, and work conditions. Management and employee cooperation was limited primarily to increasing or improving productivity. Radical changes in the competitive marketplaces of the customers becoming global and in the financial market coping with corporate mergers and downsizing resulted in increasing emphasis on the equilateral triangle with the customer at the apex and the investors and employees at the other two corners. This configuration represents the equity of the three parties being equally important. However, it is increasingly clear that it is the employees who have the greatest interest and "investment" in assuring the equality balance represented by the equilateral triangle. Therefore, today the plans are no longer limited to the cooperation between management and their employees. The plans are focused on the total organization's literacy of this globally competitive world, on the opportunity that management provides for the employees to "own the total problem" and becoming responsible owners, and on the pointed accountability of every member in maintaining the balance represented by the triangle.

The fourth principle is competence. Originally, the competence of management and the employees was assumed upon entry into the organization, and it was accepted as a life-time and static fact, except as influenced by seniority and on-job experience. Today, entry into an organization is an opportunity and responsibility for a life-long career in becoming increasingly competent, dependent upon the organizational needs which are changing rapidly. Seniority and tenure are no substitutes for competence. Competence has introduced the process of personal and professional commitment to change as dictated by the organizational's competitive realities.

In summarizing the answer to your question it might be said that there has been little change from the early version of the plan to today's statement of four principles and four processes because personal and organizational survivals were the ultimate objectives. As in World War II nation-wide productivity was a classic example of cooperation toward a mutual objective of survival. In the early post-war adjustments and accelerating economy, cooperation between management and the union and their employees was sufficient to assure domestic survival and exploitation of foreign markets. However, as the competitive realities became globally threatening not only to our economy, industrial free-market society, but to employment opportunity, it became glaringly obvious that basic elements of a civilized and an industrial society had been taken for granted. Therefore, the identification and focused development of each principle was purposefully sequential: Identity of the compelling need to change--literacy; Opportunity to participate and become responsible--ownership; Equity among the three principals--accountability to customers, capital investors, and to employees themselves; Competence to meet the needs of the market place--personal, professional, and organizational commitment. I sincerely believe these factors are substantially different than the early plans and that they are the "fruits" of the collaborative efforts of the client companies and Michigan State University.

RH Could you discuss the four principles of identity, participation, equity, and competence?

CF Identity is the determination, definition, and articulation of what is the right job for this organization and what are the criteria for doing that job right. (Peter Drucker says that doing the right job is being effective and doing the job right is being efficient.) Identity for the organization is primarily the opportunity and responsibility of the Chief Executive Officer. Identity must be continually reviewed. At one time Motorola made the Quasar Television; Mr. Robert Galvin determined the right job for Motorola was electronic technology. At one time Herman Miller Company made traditionally ornate household furniture; Mr.

D. J. DePree determined functionally-honest furniture was the right job for Herman Miller Company and later Mr. Hugh DePree determined that Action Office Furniture was the right job for the company. At one time the Donnelly Corporation was the leading manufacture of decorative home and institutional mirrors; Mr. John F. Donnelly determined glass products for the automotive industry was the right job for the Donnelly Corporation.

Even though the Chief Executive Officer has to determine, define, and articulate the criteria for doing the job right, it is the competitive market place customers who provide the required criteria of quality of products and services.

Inherent in the Chief Executive Officer's opportunity and responsibility to determine, define, and articulate the right job and the criteria for doing the job right is to determine, define, and articulate that the organization's past performances in quality and services, the practices, methods, and systems, and their internal and external relationships are no longer appropriate, adequate and may well be obsolete.

Identity is clearly the initial and essential first principle. It is equally clear that the fundamental process to achieve change--often radical change--is the process of education. The process of education begins with knowing, then understanding, then comprehending, and finally accepting even the radical changes as being rational. The process of education is an essential qualification for becoming a Chief Executive Officer of any organization or institution.

The second principle is participation, which is significantly more comprehensive than cooperation. Our definition of participation reveals these differences: Participation is the opportunity which only the Chief Executive Officer can give and the responsibility which only the employees can take to influence (not make) decisions in their areas of competence. These steps must be conspicuously sequential because the purpose of participation is to gain employee ownership of the need to change in doing the right job and doing the job right.

We believe ownership is a competitive necessity personally and organizationally. Robert Galvin of Motorola when it was apparent the their highest-industry quality performance was not satisfying their customers, he challenged the employees "to go for perfection" and more recently for "six sigma quality performance." He gave the employees the opportunity, and they accepted the responsibility throughout the one hundred thousand plus employees.

Hugh DePree gave the company "task force" the leadership opportunity to bring Action Office to the market place in eighteen months. The employees accepted the responsibility and thereby introduced a new industry and the "radical" right product to facilitate America's revolutionary change from a manufacturing-producing economy to producing-service economy.

Mr. John Donnelly gave the employees the opportunity to enter the promising automobile industry after World War II. The employees accepted the responsibility and quickly became the sole supplier of the prismatic rear-view mirrors as well as the leader of esoteric film surfaces of glass.

It is already clear that if employees become genuinely literate and do not have the legitimate opportunity to become responsible, the plan will abort.

It is equally clear that if then the employees are not held accountable for effecting the changes in doing the right job and doing the job right, the consequences will be negligible. Therefore, the acceptance of the responsibility must be complemented by a rigorous, reliable process of accountability for genuinely improved performances, practices, and relationships. The focus of accountability is clearly defined by the customers' requirements of quality of product, service, and price, the capital investors requirements of significant returns on their investment in facilities, equipment, research, etc., and the employees' expectancies of "rewarding" employment. The accountability process clearly captures the success or failure of doing the right job and meeting all the criteria of doing the job right. It is an essential instrument for the Chief Executive Officer.

At the early stages of the plan, a monthly bonus to the production employees was the primary element of the accountability. This procedure is not representative of accountability—personally, professionally, or organizationally as rationally required by the primary three principals--customers, capital investors and employees. Their requirements have considerable dependence on the three factors of performance, practices, and relationships. The profession of financial audit has some procedural systems without the limitation to just the financial criterion. A powerful criterion is personal, professional, and organizational integrity in assuring justice--(is that equity) for the three institutional investors--customers, capital investors, and employees? Is survival enough? Is being globally competitive enough? Is being world class enough?

(Herman Miller Company had a promising system of accountability when Max DePree is the Chief Executive Officer chaired a monthly meeting. It required a personal accountability of each division of the company by the appropriate vice president: research, sales and marketing, manufacturing, financial and computer services, human resources. The most important feature was that the meeting welcomed challenge by everyone--Max DePree welcomed challenge because it enabled him to demand integrity in accountability of everyone. It identified, facilitated and rewarded the need to change.

The Chief Executive Officer's leadership role in this conspicuous public and regular accountability session can not be delegated (or relegated) to the Chief Financial Officer or the Vice President of Human Relations.

The fourth principle of competence depends critically upon the personal, professional and organizational recognition of the need to change--to improve. It is most critical in the Chief Executive Officer's recognition that what he had been doing in leadership is no longer adequate. The primary role of enabling his entire organization to become literate sets the priority of becoming a teacher--educator in the most literal sense. He or she becomes a

conspicuous model for the entire organization of the ability and willingness to change. This quality is directly impacted and evidenced by two questions: Does the organization need you? and Do you need the organization? The answers to those questions are provocative and revealing on the issue of competence. The answers by the Chief Executive Officer are determinative of his or her commitment to and for himself and to and for the organization. However, the same questions are appropriate for every employee and should be prompted by the previous principles and processes. When any employee becomes genuinely literate about himself in the organizational realities, accepts the opportunity to participate in becoming a responsible owners, and fulfills the accountability demanded of him and the organization, the unmistakable challenge is: am I committed personally, professionally, and organizationally to do something about my competence--qualifications for performance, practices, and relationships? Commitment is the logical sequel to the preceeding principles and processes.

RH Do you feel the Scanlon Plan is suitable for all types of organizations, or are there some organizations where it wouldn't work?

CF I do believe the principles and processes--not the Scanlon Plan per se--are appropriate. We have explored these concepts in industrial, commercial, and service organizations. They report positively of their satisfaction in their application. Admittedly we have explored the concepts with ten times more companies that decided not to pursue the concepts than decided to explore them. Their reasons for refusal were variable, but seemed to focus on their ability and/or willigness to lead an educational program toward change--often considered to be "radical" change, though not without some rational basis. Their own personal and organizational history was different and did not provide them easy tools or skills or data to support the program.

My opinion is reinforced by the comparison of the life development of every individual from birth to death is analogous to an organization from origin to

conclusion. Survival is basic to both, and survival of the fittest is a common experience. The challenge and test of survival is reality and how able and willing we are to manage it--not just cope with it. Education is the primary tool for knowing, understanding, comprehending, and accepting reality and its demands. To be literate is a significant asset.

In my clinical experience with the mentally pathological population the critical factor was the ability and willingness to manage or "own" the reality and its demands. Therefore, the opportunity must be there but also the ability and willingness to be involved and to become personally responsible were critical. It is also fundamental in personal development to gain self esteem. One of the most reliable methods of gaining self esteem is to be held accountable for both achievements and failures. The expectancies and acknowledgement of significant others, whether they are parents, teachers, friends, managers, et al are important. Finally, the maturing of the individual into a contributing citizen of society is the consequence of personally achieved competences needed by others, such as family, students, parishoners, managers, organizations, institutions. There seems to be a generic quality to the principles and their respective processes in personal as well as corporate life.

Even though there are many companies, including church congregational boards, who decide they have no reason to change, life at birth to death is a panorama of changes, and our challenge is to manage those changes effectively and efficiently--doing the right job and doing the job right.

In summary, it is necessary to acknowledge that there is predictable resistance to and resentment of change--personally, professionally, and organizationally. Therefore, reality must present compelling reasons to change--change may often seem to be a radical answer to a rational need to change. Change is an adventure.

RH What do you see as the future of the Scanlon Plan in American industry and globally?

CF The Scanlon Plan is not well known or widely practised today. I do not consider it as a succinct program or a packaged consultant offering. It is an organizational development process--continuously ongoing and primarily responding to the economic, social, political realities impacting their survival. Companies have, do, and will survive without recognizing or implementing these principles and processes by name or even knowingly.

I believe our limited experience to date documents that the principles and processes are appropriate and functional.

I do believe in our national and global world that literacy will be a significant personal and organizational asset. I believe leadership will be critical enabling the employee, individually and corporately, to survive and achieve. It may be the newborn child in the family and world and it may be the new employee in the department and industry. Consequently, literacy must be followed by the opportunities and the assumed responsibility to become competent and accountable, in which leadership is important. In these personal and organizational developments, there must be a focus of the common good upheld by the leader (father or chief executive officer) as having an appropriate priority in a civilized society. Therefore I believe the concepts have relevance for our country domestically and internationally.

I do believe change is our only hope. However as the famous poet leader said, "hope is not joy but the (opportunity and) ability to do something that will make a difference." (Havell) The Scanlon principles and processes are one recommendation for managing the process of change.

RH Are there any final statements you would like to say about the Scanlon Plan?

CF I believe it is clear that the substance of these concepts is the consequence of unique personal and professional opportunities afforded me by hundreds of people in many, many organizations, allowing me to ask the questions and they sharing their answers. These ideas are the fruits, not the products, of these special relationships--they grew, flourished, and flowered. (Henri J. M. Nouwen: Lifesigns, P65) I shall be forever grateful for their fellowship.

RH Is this what you expected? Is this helpful?

CF: My response at the original sitting was affirmative.

The transcript caused me to realize how inarticulate I had been. However, I was reviewing a lifetime of experiences and trying to distill them into momentary episodes without much success. Such a review can only be successful if the appropriate story tellers participated. That is the reason obituaries are so vacuous. We needed the authentic "authors" to tell the story.