

# The New Elite In Business

ARTHUR W. SANDERS

One of America's greatest problems today is the need for better business managers. Managerial myopia is responsible for many of today's business failures. Companies that have been successful have been those that have planned ahead. In an era of increasing free trade, we are faced with mounting problems of change, competition, and growth. American business can no longer afford the luxury of managers without imagination. If we are to weather the economic storms of the Sixties, we can no longer lose sight of the vital essence of dynamic, creative personal leadership.

Evidence of the importance of recognizing, analyzing, and adjusting to change is borne out in this reminder: In the past twenty-five years, of the one hundred largest companies in the United States, almost half have disappeared or have fallen substantially from their peak. Changes must be foreseen and prepared for. In the period before us, distinct and far-reaching currents, such as business and world conditions, our expanding and changing population, technological innovations, government

policies, all will strongly affect business. And no management can judiciously, safely ignore their influence.

## **What Is Management?**

Despite its importance and phenomenal rise, current thinking on management is fuzzy and fraught with misconceptions. What is management? It is the heart, the spirit, and the driving force of the company. Composed of human beings, it is that specific organ of the business enterprise that strives to accomplish objectives with men, materials, and machines, at a suitable time, place, and budget. Management, therefore, comprises the individuals charged with the responsibility of operating the business enterprise. It can only justify its position, authority, and very existence by the economic results it produces. Management's principal job is to manage. It must make decisions and take the necessary action to produce the desired results.

Back in the 1920's and early '30's, operating control of most firms was ac-

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complished by a relatively few top managers. Ordinarily the company president, supported by a small staff of a company secretary, a plant manager, and sometimes a sales manager, ran the enterprise. Today the greater part of the nation's business is exercised by huge, widely-owned companies, operating nationally and internationally through many managers. Few company presidents feel they can function without the knowledge and advice their managers furnish.

The management of any industrial organization is stratified into a hierarchy of positions of different authority and responsibility. Within the management group itself, medium- and large-sized companies have three levels: top management, middle management, and the supervisory staff.

Top management generally includes the chief executive, the executive vice presidents, and the vice presidents. One of the major functions of top management is to set broad policies and basic plans for the firm.

Middle management consists of the directors or heads of departments. It is their responsibility to develop the necessary procedures to attain the goals set by top management.

To a certain extent the supervisory level is both a part of management and a part of the worker group. Supervisors and foremen are part of operational management—in charge of carrying out the operating plans.

### **Today's Managers**

Today's manager is very definitely a new type of individual. He can no longer be characterized as a pompous,

cigar-chewing capitalist, with an irresponsible "the public-be-damned" attitude. In enterprise after enterprise, the original founder has given way to a professional manager. According to several different surveys, the average manager is married, has two or three children, and is on the move away from home on business trips about five days per month. He has acquired special training and skills. One out of three has attended school at night. Approximately 85 percent graduated from college. Most took courses in accountancy, economics, or engineering.

Members of this new elite are more skillful in the handling of people and of creating a more favorable public image than their predecessors. Although leisure has clearly become more and more of a problem in the United States, management personnel have not shared in this problem. Managers and proprietors today generally work a 53-hour week. In top management the 70-hour week is nothing extraordinary.

It is perfectly natural to view and consider each management job as being different from any other. And in sundry ways, so it is. Operating an export organization is not the same as running a bank, a wholesaling institution, an insurance company, or a department store. However, in the broader sense, there are clear cut functions every manager must perform. The difference between managerial jobs hinges on the size of the enterprise and what is worked with. Management functions relating to selling, purchasing, manufacturing, engineering, accounting vary from one business to another. But the fundamental functions of the manager are common to all.

## **What Does A Manager Do?**

One cannot manage in a vacuum. Consequently, every manager does many things that are not managing. A company president may find it necessary to wine and dine an important buyer. A plant foreman may repair a tool or a machine. A production manager may inspect or test a new shipment of raw materials. That which a man does because he is a manager can be identified, classified, and measured.

The fundamental operations of a manager's job can best be summarized as follows: A manager sets objectives; he makes sure that plans will be coordinated and assigned to individuals capable of carrying them out successfully. He must understand clearly his responsibilities and authority. There are countless little things he must know and do. To those in his charge, a manager must communicate, motivate, delegate, and educate. As an organizer, he must analyze the activities and break them down into manageable tasks. He must establish yardsticks to appraise individual performance. As a leader, he must develop a willing, winning team out of the people responsible for the work. He should originate new approaches to existing problems. A manager can either develop or stifle those under him. What a manager does and how he does it is extremely important to the ultimate success of the enterprise. Whatever else a manager may do, his chief function is to make decisions—regarding promotions, profit policies, cost cutting, and the like. The mark of a good manager are good decisions!

In a world that is rapidly changing, a company's best insurance policy for

survival and growth is its management personnel. In good management personnel is the guarantee of continuation. Time and again in business and industry we have ample evidence that where the management staff has foresight, flexibility, and the ability to develop, the organization or industry also moves forward. There is an unfortunate tendency by people at the top in business to lose sight of the fact that management is people—men and women in advertising, finance, manufacturing, production, sales, traffic . . . We confer the title of Manager on an individual who is responsible for getting work accomplished through others.

## **Changing Management**

Management itself is becoming increasingly complex. The accelerated pace of technological innovations are vastly increasing our output of goods, services, and information of all kinds. The international race for arms and the advent of space travel involve larger units of organization and a much higher proportion of managers performing more difficult assignments. This all requires better managers. According to Ralph J. Cordiner, Chairman of the Board of General Electric, "Managerial attitudes and skills, like any others, are subject to rapid obsolescence in this age of change. The manager who does not keep up with the times—or rather, keep up with the future—is going to find himself as obsolete as yesterday's newspaper, and almost as quickly."

The essence of manager training and development can not be underestimated. The difference between "development" and "training" are summed up in two

words: "way" and "why". A training program is designed to teach the "way" something is accomplished, whereas a development program teaches "why" it is done. The purpose of any management development program should be to upgrade an individual's know-how, skills, and problem-solving ability. Manager development must include all managers in the enterprise. It must serve as a challenge to all for individual growth and self-development. Manager development must be concerned with today's performance and tomorrow's needs. Most managements have discovered that the demand for good people is increasing faster than the capacity of even a successful manager-development program is capable of supplying them. Despite company mergers and corporate mortalities, it is estimated that by 1970 the demands of our economy will require an increase of 46 to 50 per cent more jobs for management personnel. The practice of "pirating" executive talent from other businesses is growing to be more of an accepted practice every year. Another indication of this trend is the growth and success of executive-recruitment firms.

### **Management Development**

Although the selection, training, and development of management personnel has been pinpointed as one of America's most pressing problems, there is little unanimity on the making of a good manager among executives and educators. From available data, the basic skills significantly present in men judged promotable are: human relations, technical application, and company inter-relations. Of the three skills, the tech-

nical is the most clear cut and familiar to most people. Technical skill encompasses both an apperceptive knowledge and a proficiency in a specific type of activity. It is the mechanics of a particular job. Company recruiters evaluating college graduates today place considerable emphasis upon proper technical training. The majority of our vocational manpower programs and on-the-job training courses are largely devoted to developing the technical skill.

Since the success of any organized endeavor depends on the people involved, the human relations skill is a vital part of everything the manager does. Man's ability to feel, to think, to plan is by far our most valuable resource and at the same time the most difficult to inspire, motivate, and control. The human skill, therefore, is a manager's ability to effectively lead as a group member; to fulfill objectives in a harmonious atmosphere.

### **Good and Poor Managers**

Why do managers fail? Standing out prominently in a number of different studies are the differences between the good and the less effective manager. The top-notch man is a leader; he perceives the needs of associates, subordinates, and superiors—and acts upon those needs! Good managers back up their men as well as their company, while the less effective men are inclined to think chiefly of the company. The manager who is building a highly motivated work group is both firm and fair in dealing with his people. He is a good disciplinarian. He makes it easy for people to talk to him. When the going gets rough, he can "take it". He

communicates well, in writing, speaking, and manner. Ranked near the top on the "poor manager" list is the man who can't make up his mind. Here's an individual who is both hard to work for and hard to work with.

Company interrelations skill is recognizable in the manager who has original ideas, foresight, and a balanced view of the inner workings of the enterprise. This skill requires the ability to see the business organization as a unit and to understand how each part functions and fits into the whole. It calls for a comprehension of how important changes in policy relating to any one department will affect people and policies of all other departments. As the creative, coordinating catalyst of the management process, company interrelations skill is of prime importance. The success and the survival of the enterprise hinges greatly on the interrelations skill of the management personnel who make and implement the key decisions.

The three fundamental skills are so interwoven and interdependent that one experiences difficulty determining where one starts and another leaves off. Technical know-how is essential to efficient operation; it has paramount importance at the lower rungs of the management hierarchy. As one moves up the corporate ladder, more emphasis is placed on personal characteristics and less on technical skills. Human relations skill, which appears to be in greatest need at the lower levels where day-to-day contacts between managers and their people are most numerous, is vital to effective management at all levels. Company interrelations skill is most critical in upper echelon spots where its effects can prove to be decisive. Here is a

felt need for men who can coordinate, grasp the entire picture, and get desired results from other people.

### ***Failures in Management Training***

One of the most important and probably most difficult jobs that modern business management has to perform is to train, develop, and upgrade its upcoming executives in order to improve management skills throughout the company. Unfortunately, we find, in company after company, that top executives are not aware of what precepts of management are being taught to their people. Nevertheless, executive training of some kind is always taking place. The behavior of present executives tend to set the climate and pattern for future executives. Managers are likely to manage as they are managed. Even though the individual workers, supervisors, and managers change from time to time, the men at the top have the responsibility to see to it that the replacement of personnel charged with functional responsibilities will be orderly and effective. In this way the organization will be perpetuated.

Business and industry spend hundreds of millions of dollars annually to develop management talent, and the efforts of many companies to improve the know-how, the know-why, the attitudes and skills of their managers have proven to be abysmal failures. The reasons are many. It is not uncommon to find that development programs have not produced the desired results. Consequently, a great many key openings must go to outsiders. It is essential that a sound

management development program be patterned around sound principles. No program will work unless top management is completely behind it. It must be constructed with care to meet the particular needs of the company. The program must be specific for each individual. Management needs to recognize that all people cannot be thrust beyond their natural abilities and capacities. The individual must understand that a development program is not in itself company progression. It is an opportunity! But everybody can learn to do his job better. Attendance at courses and seminars can only improve management skills if what has been learned in the classroom is transferred to the office or the shop. The final exam is effective job performance.

The objective is the "complete manager"—an individual conscious of his responsibilities to the company; a man who is sensitive to human values; a man capable of obtaining increased unit productivity. No doubt this represents a tall order, an objective worthy of the effort. How well modern management can develop its "executive pyramid" with these traits in mind will be of prime importance to the future of the company.

There is much concern today about the non-promotable manager—the limited man—the fellow who "has gone about as far as he can go." We have with us the problem of the manager who is not good enough to go up but not poor enough to go out. This dilemma points up a basic fact of business life that good management must constantly be on the alert for good material—men with initiative, imagination, and ingenuity. Manager development must

prepare not only for the needs of today but for the decade ahead as well.

### **Needs of the Future**

During the past ten years the growth of management training in the United States has been phenomenal. Behind the strong interest and astonishing expansion lies this answer: necessity. In the last decade management jobs have more than doubled in number. The needs and search for better business managers will become more acute. The sharp edge of competition brings 900 new products into the American market daily. As higher production goals for consumer goods are being established, there is a demand for increased numbers of qualified managers.

The proliferation of managerial jobs with new titles in new and old industries requires better educated managers—for new products, new processes, new projects, for new electronic data systems, for better quality control, for manpower planning and development, and many others. Research findings indicate that the large companies have a distinct advantage over their smaller competitors with regard to the caliber of their managers. The smaller companies need to take inventory and evaluate whether they are doing all they can to recruit good men in light of the intense competition under which business operates today.

### **Management Rewards**

Managers engaged in manufacturing or distributing enterprises are generally better paid than those working for finan-

cial institutions and utilities. In general, supervisors earn from \$5,000 to \$10,000; the average is \$8,000. The earnings of men in middle management range from \$10,000 to \$30,000; the average is \$13,500. Men engaged in top management earn from \$20,000 and up. As an individual climbs the ladder of responsibility in a company, his perspectives and values must change. And despite the gravitation to group-decision making, personal risk is increased.

Who reaches the pinnacle of position and power? Do the facts justify the belief that the "American Dream" can no longer be realized? Has America closed her doors to mobility and opportunity from the lower levels to high echelon positions in business? To those who aspire to top managerial positions and a career in management, these questions are of vital import. Research in this area indicates that the larger firms are more often managed by men from lower status backgrounds. However, in the main, the sons of laborers are in positions of controller, secretary, and treasurer—and not in the vice-president or topmost management group. Promotions take place to all levels of the business pyramid, but less often to the highest posts. The larger the business, the more prevalent are the opportunities to move up. Nevertheless, the chances are that even an able executive who gets the breaks will take a good many years to reach the top.

### **Executive Characteristics**

What are the qualities that top executives share? They are for the most

part men with an assortment of personal characteristics that jell well in the executive power play. They are men of intelligence, drive, problem-solving ability, good judgment. They have goals and a sense of personal direction. They have inquiring minds; they get along well with people. They are decisive. They are capable of bouncing back after a setback and are able to seize upon opportunities.

Three out of four of the men who hold the highest positions in the 100 largest American corporations today are college graduates. As a group, the nation's top managers reflect more and better education. Fewer and fewer men without a college degree graduate beyond the working or lower management groups. More and more management prefers to take its chances with college-trained personnel. If there is more opportunity for all in the United States today than previously, it can be attributed in great measure to increased education opportunities. What has been achieved is impressive but inadequate for an expanding, automated economy.

Our managerial potential has been slowed down because of prejudice. Business discriminates against those whom they feel are too young and those who they feel are not young enough. Management development programs have not yet succeeded in developing a man in his twenties and early thirties to match the broadly experienced and well educated manager of fifty or sixty years of age. To meet the growing demands of the Space Age, there is room for both in business today!

For American business this is an era of great potential and perplexing prob-

lems. Continued growth is not merely a matter of continued improvement along the same lines. Changes must be envisioned and planned for. Companies stagnating with a "don't rock the boat" management philosophy are heading for troubled waters and difficult days. We must develop individuals with the qualities of strong, creative leadership in our business organizations. We need managers who can inspire, innovate, and initiate. This is not an easy order, which can be promptly filled through a requisition form or an employment agency. But start we must by creating the proper climate for leadership in our schools, in our business organizations, and in our training programs. In a rapidly changing world, business has assumed new and far-reaching responsibilities. Our future will be greatly influenced by the men who make the final decisions in the private offices of our great American corporations.

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