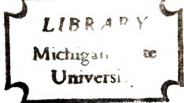


**SOME CHARACTERISTICS OF SELECTED
ENTREPRENEURS**

Thesis for the Degree of Ph. D.
MICHIGAN STATE UNIVERSITY
John Louis Komives
1965



This is to certify that the
thesis entitled

SOME CHARACTERISTICS OF SELECTED
ENTREPRENEURS

presented by

John Louis Komives

has been accepted towards fulfillment
of the requirements for

Ph.D. degree in Management

J. M. Farland
Major professor

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ABSTRACT

SOME CHARACTERISTICS OF SELECTED ENTREPRENEURS

by John Louis Komives

This thesis analyzes and reports the findings of a study of the administrative organization patterns of 36 recently formed new enterprises. These firms were all founded after 1946 in three communities in the State of Michigan. The founders of these firms were meticulously interviewed, and the lengthy reports were analyzed to learn about the founder of the firm himself as well as the nature of the enterprise which he created. All firms were successful in that they had survived at least four full years prior to the time of the interviews. Data were obtained about the early history of the firm, its present organizational structure, its pattern for handling its affairs, its plans for the future; in addition, personal histories of the founders plus the occupations and educational histories of the fathers of the entrepreneurs were obtained.

The data on the business firms were catalogued according to a six-point scale developed by Richard Hall,¹ namely:

1. A Division of labor based upon functional specialization
2. A well-defined hierarchy of authority
3. A system of rules covering the rights and duties of positional incumbents
4. A system of procedures for dealing with work situations
5. Impersonality of interpersonal relations
6. Promotion and selection for employment based upon technical competence.

The firms were then distributed along a continuum from the least bureaucratic to the most bureaucratic. It was found that four classes were pertinent: Craftsmen Class I and Class II, and Organizational Class II and Class I. Class II in both cases was somewhat diluted from either pole position. Of the 17 firms classified as Craftsmen, 11 were of the Class I variety, and the remainder were of the Class II variety. Of the 17 Organizational Firms, only 8 were of the Class I variety, and 9 were Class II.

A grading of the founders themselves by means of "Social Class Characteristics" (developed by Professor W. Lloyd Warner²) was revealing. This was accomplished by using occupational and educational attainments of the firm founder. Similar attainments of the fathers of these same founders were also catalogued. Classification into "blue-collar" and "white-collar" social class characteristics and values indicated that blue-collar people have significantly less formal education and less managerial work experience. White-collar founders have much higher educational attainments and much more managerial experience.

The major hypothesis of this thesis is that business firm founders with "blue-collar" backgrounds tend to develop business organizations with the least bureaucratic tendencies, and that "white-collar" backgrounded business firm founders tend to create firms which have many more bureaucratic appurtenances. Without exception, only blue-collar people were founders of Class I Craftsmen firms, and only white-collar people were founders of Class I organizational firms. In Class II firms there was very little mixing. The hypothesis was proved.

Bureaucracy is a model which is primarily concerned with rationality, with ordering the affairs of men, with optimizing within the total cultural milieu, with the specialization and complementarity of work and effort. In its ideal sense, it lays down a set of principles on how work is to be performed, by whom, under whose direction, and, finally, how the whole effort is to be coordinated to achieve some distinctive objectives. Bureaucracy is concerned with relationships, both internal and external. In this regard, craftsmen entrepreneurs were found to be disruptive of the general process towards ideal bureaucracy, whereas the organizational entrepreneurs were found to be facilitative.

¹Richard H. Hall, "The Concept of Bureaucracy: An Empirical Assessment," The American Journal of Sociology, LXIX (July 1963), pp. 32-40.

²W. Lloyd Warner, Marchia Meeker, and Kenneth Eells, Social Class in America: The Evaluation of Status (New York: Harper Torchbooks, 1960), pp. 34-43.

SOME CHARACTERISTICS OF
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by

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CHAPTER I
INTRODUCTION
THE NATURE OF THE STUDY

This thesis reports on a study of individuals who found new enterprises where they did not exist before. The entrepreneur is that key man who embarks on a venture to bring together resources and outlets in a new combination. In this study, the term "entrepreneur" or "enterpriser" is used to identify the business founder, the man who at least once in his lifetime has founded a new business.

One would suppose that schools of business have been frequently occupied with the study of how businesses begin, but such is not the case. Large scale enterprise and the tactical problems of advancing technology occupy the main stream of effort. Yet all social institutions began in very small efforts by men newly joined in cooperative enterprise. Occasionally these businesses become large institutions, others merely survive, and many fail or go out of business with the demise of the principals. The essential fact is that an enterprise is not a natural outgrowth of technological change or of happenstance. It is the willed result of human effort.

Why do some men "will" to enterprise? The answer is not yet clear, but social scientists are hard at work on some phases. It seems evident that for some it is an avenue of upward social mobility. For others, however, the motivations and outcomes seem to be something else.

Why is it that among those who endeavor to form a new enterprise some succeed in that formation and some don't? Why is it that among those who do succeed in forming an on-going enterprise some become sovereign and persisting firms and others do not persist and wither away? Students of business have shown that failure to persist is intimately connected with clear violations of good management practices, such as adequate cost accounting, management controls, or nonaggressive sales techniques, etc.¹ However, the central question still remains: why do the founders not recognize their failings, or, if they know, why do they not wish to do something to correct them? Even in cases where the timing and environment are very similar, some founders lead comfortable lives in existing but nongrowing institutions, and others infuse their enterprises with continuous growth and expansion. Here again some studies in the social sciences are beginning to point the way, but no conclusions are definitive.

All of the above questions have at their core the idea that underlying the entire concept of new enterprises is the will and personality or character of the entrepreneur. This pervasive quality of the undertaker of enterprise, in his enterprise, seems to provide a clue for further investigation.

This study differs from previous studies of entrepreneurial activity. Sociologists and historians have studied entrepreneurs, heralding their heartaches and triumphs, and noting their sociological

¹William M. Hood and Peter Rosko, Management Factors Contributing to the Success or Failure of New Small Manufacturers (Ann Arbor: Bureau of Business Research, University of Michigan, 1964), pp. 8-9; and Warren W. Etcheson, A Study of Business Terminations (Seattle: University of Washington, Bureau of Business Research, 1962), pp. 25-26.

background. However, they focus on the founder and not on the resulting business enterprise. Even the Mayer and Goldstein study,² which does involve survival, does not relate the quality of business survival to the character of the people studied.

On the other hand, Filley³ described the business conditions needed for firm "take-off" after the initial survival had been achieved. He pointed out, through elaborate case studies of five different firms, the conditions for delegation of tasks, productive financial relationships, controlled marketing arrangements, and the orderly arrangement of people in various relationships. However, Filley does not indicate that the character of the entrepreneur is also an essential ingredient not only for bringing together these resources and conditions, but also as the impelling force in the take-off process.

This study examines the ways in which the firm founder is both the undertaker of the enterprise as well as the essential catalyst in the take-off process. It is also concerned with the idea that the character of the catalyst will determine the character of the firm after survival.

Economists have also looked at the process of founding business firms, from various points of view. These studies have related entrepreneurial efforts to laws of classical economic theory, treating the entrepreneur as an opportunist, a rational profit maximizer. According

²Kurt B. Mayer and Sidney Goldstein, The First Two Years: Problems of Small Firm Growth and Survival (Washington, D.C.: Small Business Administration, 1961), pp. 147-148.

³Alan C. Filley, A Theory of Small Business and Divisional Growth (Ann Arbor: University Microfilms, Inc., 1962).

to Say, he is the one who

. . . unites all means of production--the labor of the one, the capital of the land of the others--and who finds in the value of the products which result from their employment the reconstitution of the entire capital which he utilizes, and the value of wages, the interest, and the rent which he pays, as well as the profits belonging to himself.⁴

And, according to Dillard:

A prospective yield is what an entrepreneur expects to obtain from selling the output of his capital assets. There are two types of expectations regarding the yields of assets: (1) short-term expectations and (2) long-term expectations. Short-term expectations concern the sales proceeds from the output of existing plant. Long-term expectations concern the sales proceeds which an entrepreneur can hope to earn with variation in the size of the plant.⁵

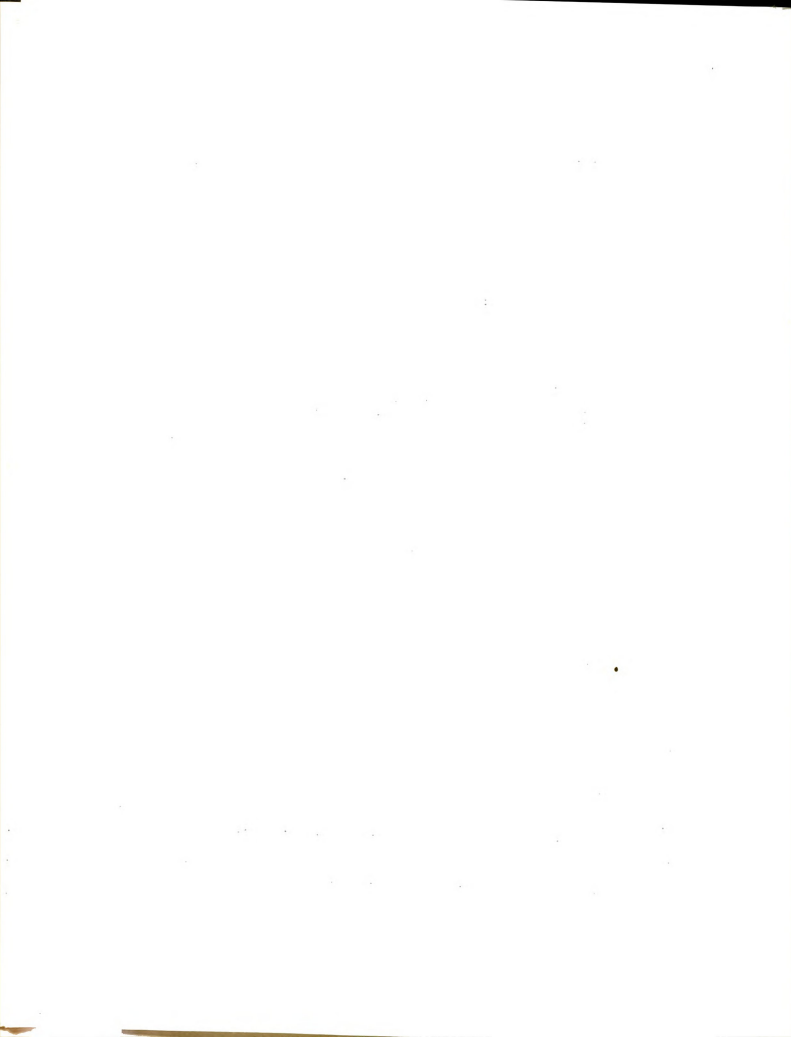
Edith Penrose cited another approach in an article entitled "Biological Analogies in the Theory of the Firm." Miss Penrose discusses the suitability of biological models and the taxonomy of life cycles, homeostasis, and mutation, etc., as a means of describing the theory of the firm.⁶

This study makes no such general classification but in contrast views the entrepreneur in human and personal perspective as a man building

⁴Jean-Baptiste Say, Catechism of Political Economy (London: 1816), pp. 22-29. [The first French edition appeared in 1815, cited by Arthur H. Cole, "An Approach to the Study of Entrepreneurship," by Frederick C. Lane and Jelle C. Riemersma in Enterprise and Secular Change (Homewood, Illinois: Richard D. Irwin, Inc., 1953), p. 183.].

⁵Dudley Dillard, The Economics of John Maynard Keynes (Englewood Cliffs: Prentice-Hall, Inc., 1958), p. 143.

⁶Edith Penrose, "Biological Analogies in the Theory of the Firm," American Economic Review, XLII, No. 5 (December 1962).



and developing a business through the development of his unique characteristics, the extension of his own personality as it relates to the world of people and technology around him. He is a business manager in the Filley sense, and he is also a social being in the Lewis or Mayer and Goldstein sense. He is impelled by the culture to behave as a rational maximizer in the classical economic sense.

This study will examine the point of view of the firm founder as a human being and to that extent, as a product of his environment, exhibits in his decisions and actions, his sensitivities, values, perceptions, control mechanisms, ability to deal with abstractions and projections, breadth of contact, insight, personal motivations, tensions, and expectations. It will show that the managerial functions of planning, organizing and controlling within a framework of objectives are also attributes of the founder. The system of human and productive (technological) relationships is a result of both individual effort and business administration.

Significance of the Study

Such a study is important because the founding of new businesses is of vital importance in our dynamic society. New businesses on occasion become the seed for later, much larger enterprises, or the grist for new technology. Of concomitant importance is the outlet which new firms provide for human feelings and skills which are not met in existing firms. In society, the importance of new enterprises is seen in the notion that the oligarchy may be bloodlessly overturned and that there is a potential place for administrative experimentation and new forms of enterprise.

Of importance, too, is the nature of the new enterprise, not so much for the new technique it offers but rather in the evaluation of a new (additional) generational enterprise. Society has a vested interest in it for employment, taxes, and diverse other reasons. Because society places high value on innovation, growth and persistence (stability), society is interested in the nature of the enterprise as it more or less achieves short-run or long-run objectives.

Finally, the area of business administration needs further examination in terms of man (behavior) and systems (analysis and behavior) relationships. Studies of management often are normative, and behavioral scientists have frequently examined management largely in terms of what is desirable rather than what actually exists. Hopefully, this research has brought these elements closer together.

In another sense this study is dedicated to bringing about the increasingly intensive study (in schools of business) of the nature of new enterprises. Human motives, the conception and birth of the new enterprise, the way it is shaped, the impact of the original character of the enterprise and its short-run and long-run effects--are all legitimate areas of concern to the business school.

METHODOLOGY

Sample Selection

This thesis is an outgrowth of a major study of business enterprise⁷ sponsored by the Graduate School of Business Administration at

⁷Orvis F. Collins, David G. Moore, and Darab B. Unwalla, The Enterprising Man (East Lansing: Bureau of Business and Economic Research, Michigan State University, 1964).

Michigan State University under a grant from the Small Business Administration. The format of research, including lengthy depth interviews and thematic apperception tests, content analysis, etc., was patterned after Professor W. Lloyd Warner's work.⁸

The author of this paper was a research associate in this particular project and much of his data, opinion and conceptual organization were derived from that study. Nondirective interviews of forty entrepreneurs associated with thirty-six firms in the Detroit, Lansing, and Benton Harbor metropolitan areas provided the basic data of this report. These cities were chosen in order to examine the possibility of the differences due to urban size or differing industrial complexes on the style of entrepreneurship.

The firms were in the tool and die, metal working, machine and fabricating, plastic and electronics industries (see Appendix III for a roster of companies). The research design omitted service and merchandising companies because of the difficulty of maintaining controlled samples. To eliminate military production and differing population selection, the sample included only those firms founded after World War II. All firms had been in business at least four years at the time of the study.

Definition of Entrepreneur

In many firms it was difficult to identify the actual entrepreneur without considerable interviewing and observation. In a few cases

⁸W. Lloyd Warner and James C. Abegglen, Occupational Mobility in American Business and Industry, 1928-1952 (Minneapolis: Minnesota University Press, 1955).

the actual entrepreneur was disguised as an administrator; in other cases he had delegated that function. Therefore, a concept of the entrepreneur as a catalytic agent and promoter of the managerial team, a personality which results in a fusion process, the role of a father in the sense of biological conception, is necessary.

For the purposes of this paper, the definition of an entrepreneur may be stated as that person who has developed an on-going business firm where none existed before.

In two cases there were four people intimately involved as a team in the forming of the new enterprise. In one of these it became clear that the eldest brother was the key man; however, in the other, all four members of the team were crucial to the firm. In two other cases there were two men in each firm who ran the company, but the interviews indicated that a silent partner (in each case the Chairman of the Board) seemed to wield considerable influence, and the interviewers were quite convinced that the interviewee was not the entrepreneur. Therefore, for the purposes of this paper, another definition of the entrepreneur is the team of persons which develops an on-going business firm where none existed before.

Since success in an elusive and highly subjective concept, the research team decided to consider all firms in the sample as successful in that each had survived at least four years at the time of the interviews in 1961. Whether the firm was as successful as it might be or as the enterpriser wished it to be is another matter and will be mentioned later in this paper. On the other hand, there was a distinct downturn in general business, and particularly in the automotive area,

commencing in 1958. All the firms in the sample had shown considerable resilience in surviving that test of their success.

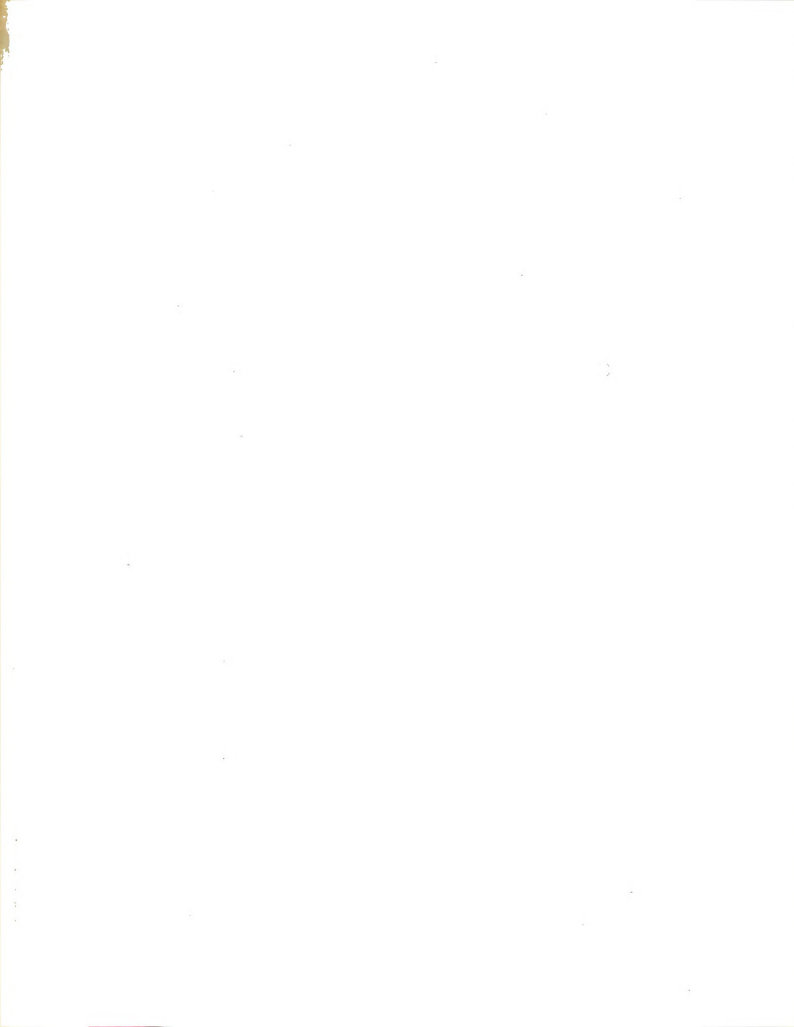
Method of Interviewing

This research was conducted by means of lengthy and generally unstructured interviews. All the interviewers had extensive training in business administration, including practical business experience. While the interviews were not taped directly, they were recorded on tapes immediately (from brief note outlines) after each interview. All of the interviews cited or used in this paper were conducted by the author, either individually or with one other research associate.

In general, each interview began with a short explanation of the nature of the research project and a generalized statement of how the information would be used. The respondent was then asked to tell how he got where he is today, or how he happened to get into this business.

It is interesting to note that one group of entrepreneurs could begin easily at some chronological point and proceed. Several began at the present time and worked backward in an orderly fashion. Others began at the point of birth and worked forward in retelling their life history. Two began by giving only their business history and later, when they had gained confidence, told something about their life history. In general, respondents in this group talked rather easily about themselves, their dealings, and their aspirations.

In contrast, another and by far larger group had difficulty beginning. The comment, "Gee, I don't know where to begin," is typical of this group. The usual response to this reply was, "Why don't you tell



us how you got into this business?" It seemed best to leave the personal questions until later in the interview when confidence was restored. This group also had considerable difficulty talking about their home lives, and generally the interviewers had to ask specifically about wives and background, fathers' occupations, schooling, etc. There was, on the other hand, considerably more readiness to talk about certain technical details that they had mastered.

The first group avoided too direct confrontation with the technical aspects of their products or operations. However, one founder in this group began by asking the interviewer if he knew what a transducer is, and upon a negative reply proceeded to give a succinct and explicit explanation in lay terminology. He then launched into a two-and-a-half hours detailed history, in complete reverse chronology.

There were four revisits to obtain additional data, and on three occasions the use of the Thematic Apperception Tests offered a revisit opportunity to obtain additional information. The findings from these TAT protocols⁹ are consonant with the findings in this report.

Analysis of Material

To permit analysis of the data, the interviews were typed verbatim from the tapes, and each research associate given a copy. The transcripts were read and re-read many times, and were analyzed for themes and repeated patterns. A broad cataloging of characteristics and behaviors or events was completed. The richness of the data was distilled until it emerged into the skeleton of a report outline.

⁹Collins, Moore and Unwalla, op. cit., pp. 65-67.

In time, the overall project under the grant from the Small Business Administration developed in three distinct directions. The project director decided that the major work of the project would be to publish a book detailing many of the psychological and social-psychological backgrounds of the entrepreneurs in the sample. The plan also called for one researcher to write a paper on the relationship between patterns of entrepreneurship and market growth.¹⁰ It was further planned that this researcher would compare patterns of entrepreneurship and the resulting organization patterns.¹¹

Inasmuch as the interviewers and researchers were working closely together, and even collaborating in obtaining the raw material, the concepts and forms of analysis naturally were influenced by this interaction. A pattern of on-going content analysis was developed so that even the final data, the typed interviews, were to that extent contaminated. For an exploratory study such contamination was believed permissible as a cost of planning future studies.

The general method for handling mass interview data is to read and re-read the protocols until some form or pattern emerges. This way of classifying should preferably require other noncontaminated readers to go through the same process and come up with substantially the same ordering of the data. Only in this manner does reasonable reliability emerge. However, the research project was disbanded before such a pattern was clearly discerned and a true test could be conducted.

¹⁰Norman R. Smith, The Entrepreneur and His Firm (East Lansing: Michigan State University [Unpublished Ph.D. Thesis], 1965).

¹¹Collins, Moore and Unwalla, op. cit., Footnote No. 2, p. 24.

Because of the nondirective nature of the interviews, a precise cataloging of the data was not possible. However, interviews included data in the following five general areas:

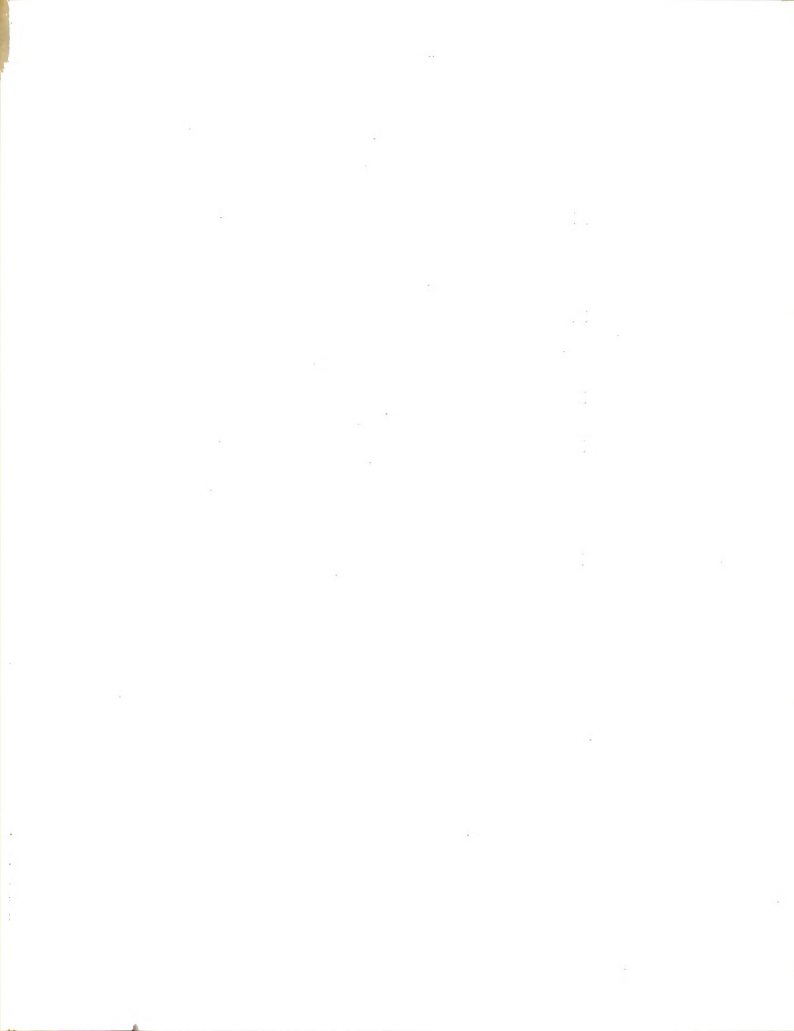
- (1) The occupational history of the respondent.
This included early employment, development of technical skills, supervisory skills, and, finally, the entrance into his own business firm as owner and manager.
- (2) A survey of the enterprise from the respondent's earliest recollection to the present day. At this point some cataloging of financial, sales and employment data was done.
- (3) Data regarding family background as well as current family status.
- (4) Data regarding organizational patterns, especially troubled areas. This included immediate officers, partners, and the seemingly inevitable fight for control and including relationships with unions and/or rank and file labor force.
- (5) Whenever possible, the researchers obtained data regarding future plans.

FURTHER DEFINITIONS AND CONCEPTS

This section will be concerned with definitions of a business firm, and the distinctions between a bureaucratic firm and a nonbureaucratic firm. Distinctions between blue-collar and white-collar values toward employment and firm formation will be made. In the final section two major hypotheses will be advanced that will suggest the format of the balance of this report.

Definition of a Firm

The enterpriser, having made a "determination" to embark on forming



his own enterprise, then goes about seeking a way to establish himself. The founder may begin developing his contacts (potential customers, supplies, employees, and lenders), and even buying generalized machinery, but his enterprise does not exist until the contacts are brought into active transaction with the new firm.

The going concern is animated by real people, has a common purpose of its own, exhibits a collective behavior unique to it, and is "governed by common rules of its own making."¹² As Commons observed, it is the combination of a "going plant (a technological process of production and consumption of physical things)" and a "going business (a process of buying and selling, borrowing and lending)" and is "made up of action and reaction with nature's forces, and the transactions between human beings according to accepted rules."¹³ The enterpriser must find a customer for whom he can produce "goods or service"; he must be able to fabricate and/or deliver it (implying skills and equipment); and he must be able to finance his time, materials, and labor until he receives payment from his customers.

The next stage is to develop corporate continuity. The corporation was so described by Chief Justice Marshall in his celebrated opinion in the Dartmouth College case:

A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its

¹²Richard Eells and Clarence Walton, Conceptual Foundations of Business (Homewood, Ill.: Richard D. Irwin, Inc., 1961), p. 140.

¹³John R. Commons, Legal Foundations of Capitalism (New York: The Macmillan Company, 1924), pp. 144-145.

creating confers upon it, either expressly, or is incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created. Among the most important are immortality, and if the expression may be allowed, individuality; properties by which a perpetual succession of many persons is considered as the same, and may act as a single individual. They enable a corporation to manage its own affairs, and to hold property without the perplexing intricacies, the hazardous and endless necessity of perpetual conveyances for the purpose of clothing bodies of men, in succession as individuals are capable of acting for the promotion of the particular object, like an immortal being.¹⁴

Having registered the business the founder has enwrapped his efforts into a corporate shell. Thus, like other institutions in society, there is a legal sanction to do business and to conduct the affairs of the enterprise as an entity. Some enterprisers can purchase a portion of the shell, others can purchase the entire enclosure, but this study is concerned with the erection of the shell from conception to birth and survival. How the firm's founder went about carrying out his initial transactions--brought about the birth of his enterprise and fathered its survival--are distinctions which may differ according to the notions, values, perceptions and abilities of the founder and the peculiarities of a particular industrial or technological system.

Bureaucracy

Bureaucracy, as the term is used herein, is a system used by men to organize the work of men. It is an abstraction. It is used as a model to describe the way an event passes in time, a willed event. It does not describe the end product of that work, but merely the way in

¹⁴Dartmouth College vs. Woodward, 4 Wheaton 518 (1819).

which that work is done by human beings in large-scale organizations. Max Weber described a bureaucratic organization by listing a series of organizational attributes which, when present, would constitute the bureaucratic form in its ideal sense. These included division of labor, hierarchy of authority, extensive rules, separation of administration from ownership, and hiring and promotion based on technical competence. Other manifestations included a system of elaborate records, seniority as influencing technical competence, and the notion of a career as a lifelong sequence of positions leading to retirement remuneration, implying also that work in a bureaucracy was a role or primary occupation.¹⁵

Not all organized work systems can be described as bureaucratic. A kinship system in which additional people are employed to get a job done may be organized on the basis of (1) the number of relatives who need to be employed for wages and (2) having relatives organized into work units by family system rather than on the basis of merit for work performed or on the basis of a particular skill which that individual may bring to the job.¹⁶ Also in kinship systems there is no sense of permanency in the sense of a career based upon skill or meritorious work. People are continued as long as the organization can afford to keep them, and rewards are based upon marriage, blood ties, ownership or other mitigating systems. The specialization and rationalism of a kinship system of work are not based upon impersonal methodology but on some other means.

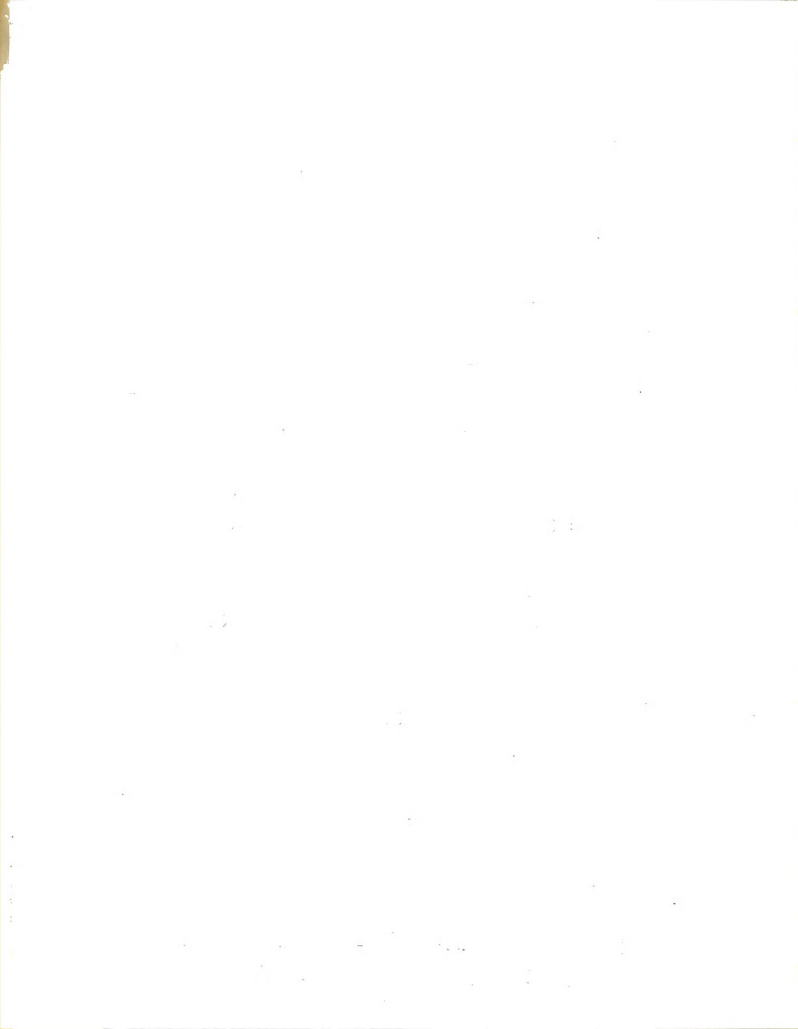
¹⁵Max Weber, The Theory of Social and Economic Organization, Trans. by A. M. Henderson and Talcott Parsons (New York: Oxford University Press, 1947).

¹⁶Stanley H. Udy, Jr., "The Structure of Authority in Non-Industrial Production Organizations," American Journal of Sociology (May 1959), p. 582.

The cottage work system is also another way in which work may be delegated. Here work is farmed out into small production units on the basis of price or previous connection or contact. This system is highly decentralized and usually unconditional and unstable in terms of work performance. A bureaucracy, on the other hand, is much more highly coordinated, centralized, rationalized and impersonalized than other human organizations. The emergence of automation and high capital investments and equipment have spurred the use of the bureaucratic model in order to control the pay-back dollar. As mechanisms and technology are becoming indigenous to underdeveloped countries, bureaucratic systems are being implemented in these countries, too.¹⁷

Bureaucracy, however, needs some preconditions before it will begin to move toward the ideal model as described by Weber. Some of these conditions are: (1) an advancing technological pattern, (2) an acceptance within the cultural pattern that bureaucracy is the best method for all concerned, (3) a divisionalization and specialization of labor so that skilled specialists can be trained and employed, (4) an acceptance that life careers can be had in these specialties and that the system will allow for movement "up" through these career ladders and eventual retirement, and, finally, (5) payment can be made in specie rather than in barter. This is necessary so that work may be broken down into its smallest units, and no one person need produce complete units on which he needs to subsist. This last point relies heavily on an integrated market system so the flow of goods and specie can be facilitated.

¹⁷John M. Pfiffner and Frank P. Sherwood, Administrative Organization (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1960), pp. 212-213; and Reinhard Bendix, Work and Authority in Industry (New York: John Wiley and Sons, Inc., 1956), Preface xx and xxi.



This discussion does not require that every firm or economic endeavor be so organized that the ideal characteristics inhere in that organization. It merely indicates that endeavors of certain sizes and organizational technologies are more susceptible to this pattern and that the firm which better organizes for the prosecution of its business is in a more desirable position to capitalize on its own advance. This implies that competition may be a motivating agent in the progress of bureaucracy along with technological advances.

In the ideal type bureaucracy, all the aforementioned characteristics would be present to a high degree. A nonbureaucratized enterprise would have a low degree of the aforementioned characteristics. Hall¹⁸ has devised a system to test the presence or absence of six specific characteristics of bureaucracy. These six items are listed as follows:

1. A division of labor based upon functional specialization.
2. A well-defined hierarchy of authority.
3. A system of rules covering the rights and duties of positional incumbents.
4. A system of procedures for dealing with work situations.
5. Impersonality of interpersonal relations.
6. Promotion and selection for employment based upon technical competence.¹⁹

He found that these dimensions are not necessarily all present in the

¹⁸Richard H. Hall, "The Concept of Bureaucracy: An Empirical Assessment," The American Journal of Sociology, LXIX (July 1963), pp. 32-40.

¹⁹Ibid., p. 33.

same degree in actual organizations. The bureaucratic concept would appear to be rather a description of a series of dimensions ranged along a continuum. Thus a highly bureaucratized firm would be one which at least the six above items would tend to the pole which were strongly positive. The negative pole would be a looser organizational system which is more "primitive."²⁰ It should be concluded, however, that many firms will exhibit a strong emphasis of one or two or even three of the above items, and that the remaining items will be essentially negative. Here the total degree of bureaucracy will have to be estimated based upon an insightful speculation. Later in the paper, the firms represented in this thesis will be ranged along a continuum and this ranging system is based upon an assessment of the "total degree" of ideal bureaucracy exhibited.

White-Collar vs. Blue-Collar Distinctions

The next definition concerns the distinction between blue-collar sentiments and white-collar sentiments. Essentially, these distinctions are derived from a classification of social class devised by Professor W. Lloyd Warner²¹ and others. While a short description is inadequate, nevertheless a profile or portrait of the values and life style of this working man is presented here to assist the reader in understanding the definition mentioned below.

The blue-collar man or a man in the "working class" is a regular

²⁰Ibid., p. 38.

²¹W. Lloyd Warner, Marchia Meeker, and Kenneth Eells, Social Class in America: The Evaluation of Status (New York: Harper Torchbooks, 1960), pp. 34-43.

member of the nonagricultural labor force in manual occupations. According to Miller and Riseman,²²

He is traditional, "old-fashioned," somewhat religious, and patriarchal. The worker likes discipline, structure, order, organization and directive, definite (strong) leadership, although he does not see such strong leadership in opposition to human, warm, informal, personal qualities. Despite the inadequacy of his education, he is able to build abstractions, but he does so in a slow physical fashion. He reads ineffectively, is poorly informed in many areas, and is often quite suggestible, although interestingly enough he is frequently suspicious of "talk" and "new-fangled" ideas. He is family centered; most of his relationships take place around the large, extended, fairly cooperative family. Cooperation and mutual aid are among his more important characteristics. While desiring a good standard of living, he is not attracted to the middle-class style of life with its accompanying concern for status and prestige. He is not class conscious, although aware of class differences. While he is somewhat radical on certain economic issues he is quite illiberal on numerous matters, particularly civil liberties and foreign policy. The outstanding weakness of the worker is lack of education. Strongly desiring education for his children, he shows considerable concern for their school work, although he feels estranged and alienated from the teacher and the school, as he similarly feels alienated from many institutions in our society. This alienation is expressed in ready willingness to believe in the corruptness of leaders and a general negative feeling toward "big shots." He is stubborn in his ways, concerned with strength and ruggedness, interested in mechanics, materialistic, superstitious, holds an "eye-for-an-eye" psychology and is largely uninterested in politics.²³

And again, one of

. . . the central determinants in the working class life is the striving for stability and security.

²²S. M. Miller and Frank Riesman, "The Working-Class Subculture: A New View," in Blue Collar World: Studies of the American Worker, Arthur B. Shostak and William Gomberg, Eds. (Englewood Cliffs: Prentice-Hall, Inc., 1964), p.26.

²³Ibid., pp. 28-29.

External and internal factors promote instability and insecurity. . . . The worker also has a traditional attitude toward discipline which may be confused with authoritarianism. While there are numerous areas about which workers are confused and lacking an opinion, there are important spheres in which they have definite convictions and are indeed highly intense. . . . Among sources of this intensity may be their physical (less symbolic) relation to life, their person-centeredness and their lack of education. . . . In the bureaucratic situation, the worker still tends to think of himself as relating to people, not roles and invisible organizational structure. . . .²⁴

With workers it is the end result of action rather than the planning of action or the preoccupation with means that count. An action that goes astray is not liked for itself; it has to achieve the goal intended to be satisfactory. It is results that pay off. The pragmatic orientation of workers does not encourage them to see abstract ideas as useful. Education, for what it does for one in terms of opportunities, may be desirable but abstract intellectual speculation, ideas which are not rooted in the realities of the present, are not useful, indeed may be harmful. On the other hand, workers often have an exaggerated respect for the ability of the learned. A person with intellectual competence in one field is frequently thought to be a "brain" with ability in all fields. . . . If a real obstacle comes up, they may expect the "brain" to have a ready solution for it, even if they may not be willing to adopt it.²⁵

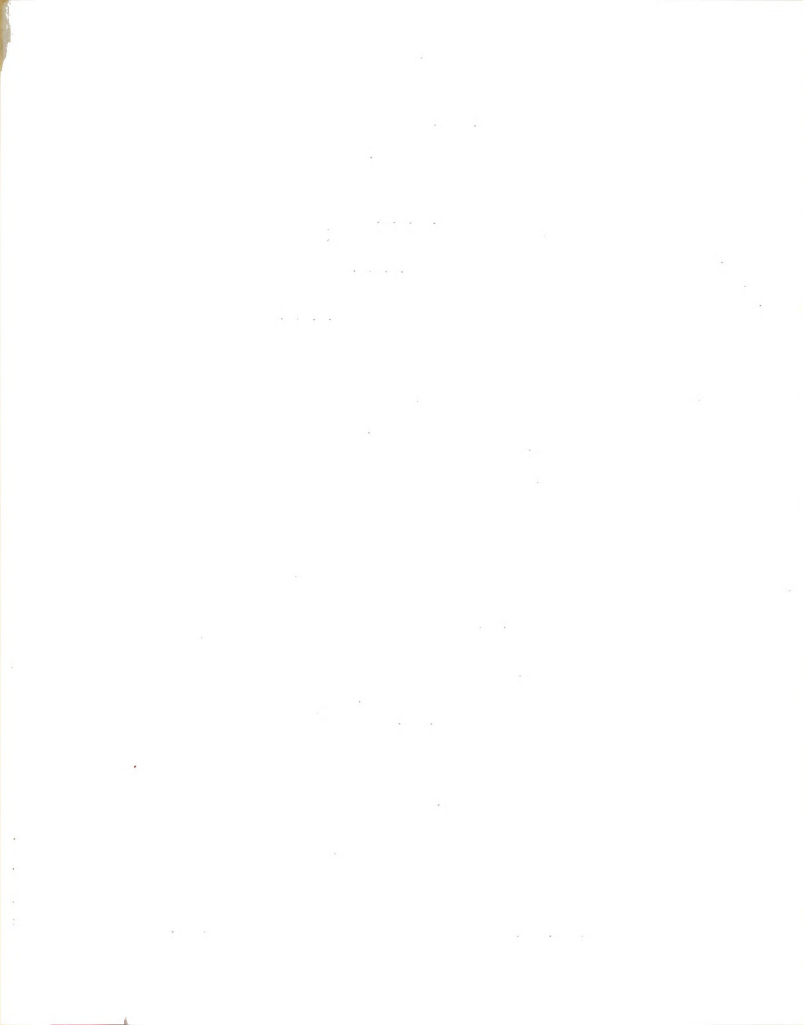
Another component in workers' lives is appreciation of excitement . . . news, gossip, new gadgets, and sports are frequently very attractive to workers. To some extent, the consumership of workers, the desire to have new goods with their television sets or new cars is part of this excitement dimension.²⁶

Richard Hamilton, in an article entitled, "The Behavior and Values of Skilled Workers," questions the assertion that skilled and highly paid

²⁴Ibid., p. 31.

²⁵Ibid., p. 32.

²⁶Ibid., p. 33.



workers tend to assume middle-class values. He stated:

Given the fact that skilled workers tend to be the sons of manual workers or of farmers, it is reasonable to assume that their value will reflect these milieus. For this reason the values and behavior of the skilled worker will be similar to the semi-skilled rather than those of the white collar workers. We found that in the overwhelming majority of the comparisons made, the skilled worker proved to be closer to the semi-skilled in their attitudes and behavior. . . .²⁷

A second conclusion showed that skilled workers also show a degree of independence in some respects that suggest that they may form a semi-autonomous status group which is in part isolated from the rest of the population and can both set and force its own standards.²⁸

In contrast to the foregoing, C. Wright Mills defined the white-collar group:

. . . their characteristic skills involve the handling of paper and money and people. They are expert at dealing with people transiently and impersonally; they are masters of the commercial, professional and technical relationship. The one thing they do not do is live by making things; rather, they live off the social machineries that organize and coordinate the people who do make things. White-collar people help turn what someone else has made into profit for still another; some of them are closer to the means of production, supervising the work of actual manufacture and recording what is done. They are the people who keep track; they man the paper routines involved in distributing what is produced. They provide technical and personal services, and they teach others the skills which they themselves

²⁷Richard S. Hamilton, "The Behavior and Values of Skilled Workers," Blue Collar World: Studies of the American Worker, Ed. Arthur B. Shostak and William Gomberg (Englewood Cliffs: Prentice-Hall, Inc., 1964, p. 43.

²⁸Ibid., p. 53.

practice, as well as all other skills transmitted by teaching.²⁹ . . . White-collar occupations now engage well over half the members of the American Middle Class. . . . Today the three largest groups in the white-collar stratum are school teachers, sales people in and out of stores, and assorted office workers.³⁰

The income averages showed that the lower white-collar people--sales employees and office workers--earned almost the same as skilled workers and foremen, but more than semi-skilled urban wage workers. In terms of property, white-collar people are in the same position as wage workers. In terms of occupational income they are "somewhere in the middle."³¹

C. Wright Mills asserts that people in white-collar occupations claim higher prestige than wage workers:

This fact has been seized upon with much justification as a defining characteristic of the white collar strata, and although there are definite indications in the United States of the decline of their prestige, still, on a nation-wide basis, the majority of even lower white-collar employees--office workers and sales people--enjoy a middling prestige.³²

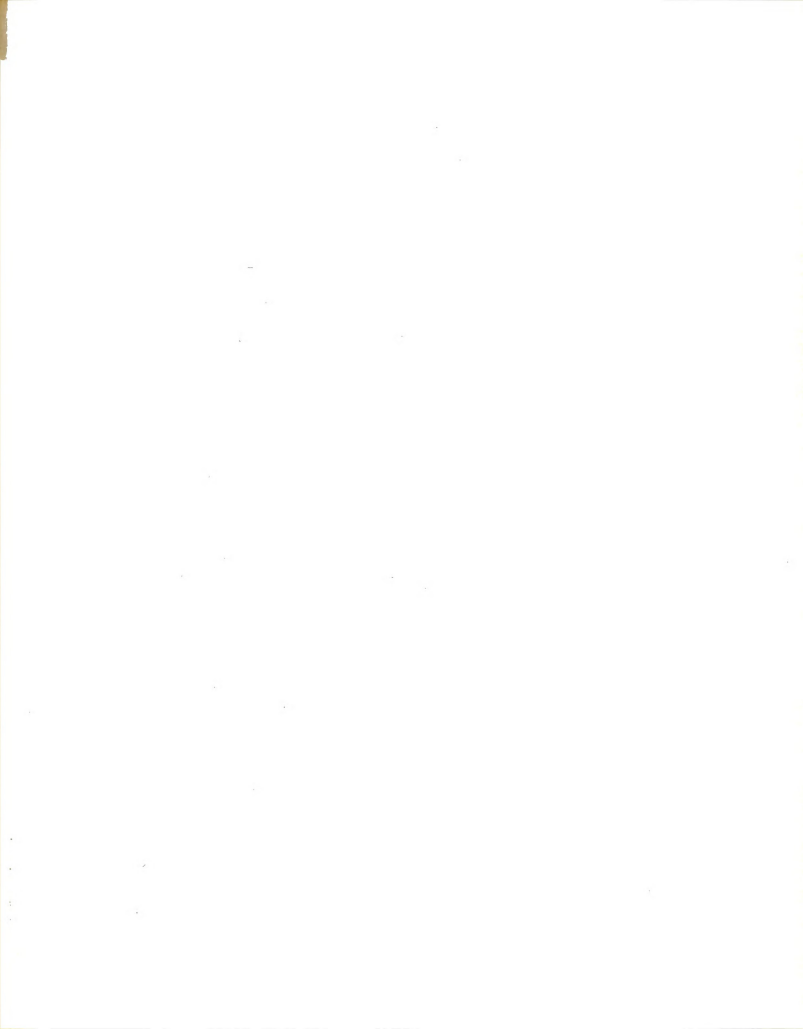
The historic bases of the white collar employee's prestige, apart from superior income, have included the similarity of their place and type of work to those of the managerial classes which has permitted them to borrow prestige. . . they have also borrowed prestige from the firm itself. . . . In particular the fact that most white collar jobs has permitted the wearing of street clothes on the job has also figured in their prestige claims as have the skills required in most white-collar jobs, and in many of them the variety of operations performed and the degree of autonomy exercised in set work procedures. Furthermore, the time taken to

²⁹C. Wright Mills, White Collar: The American Middle Classes (New York: Oxford University Press, 1951), p. 65.

³⁰Ibid., p. 64.

³¹Ibid., p. 73.

³²Ibid., p. 73.



learn these skills and the way in which they have been acquired by formal education and by close contact with the higher-ups in charge has been important. White-collar employees have monopolized high school education. . . . Some white-collar occupations require the direct exercise of supervision over other white-collar and wage workers, and many more are closely attached to this managerial cadre. . . . In the white-collar pyramids, authority is roughly graded by age and sex: younger women tend to be subordinated to older men.³³

On all points of definition, it must be remembered that white-collar people are not one compact horizontal stratum. They do not fulfill one central, positive function that can define them, although in general their functions are similar to those of the old middle class. They deal with symbols and with other people, coordinating, recording, and distributing; but they fulfill these functions as dependent employees, and the skills they thus employ are sometimes similar in form and required mentality to those of many wage workers.³⁴

According to Mills,

In terms of property, they are equal to wage workers and different from the old middle class. Originating as propertyless dependents, they have no serious expectation of property independence. In terms of income, their class position is, on the average, somewhat higher than that of wage workers. The overlap is large and the trend has been definitely toward less difference, but even today the differences are significant.³⁵

Perhaps of more importance psychologically is the fact that white-collar groups have successfully claimed more prestige than wage workers and still generally continue to do so. The bases of their prestige may not be solid today, and certainly they show no signs of being permanent; but however vague and fragile, they continue to mark off white-collar people from wage workers.

³³Ibid., p. 74.

³⁴Ibid., p. 75.

³⁵Ibid., p. 75.

In addition, Gerald Handel and Lee Rainwater, in their article entitled "Persistence and Change in Working Class Life Style," assert the following differences in attitudes. In the area of education among the working classes:

. . . education is conceived quite narrowly as vocational training and a kind of entry card to an occupation. . . while the importance of vocational preparation is by no means slighted in the lower middle class, education is valuable even if not put to direct use in an occupation.
. . .³⁶

It is interesting in this connection that both Miller and Reisman in their paper describe the working class as "person-centered." The authors indicate that interpersonal relationships are easy and informal; perhaps this is one reason why working-class parents do not look to the school to provide preparation in interpersonal relationships. "Middle class parents, more attuned to symbolic manipulation, as well as more anxious about the management of impressions, as Goffman would say, expect the school to prepare their children for this kind of Management."³⁷

In the area of housing, Handel and Rainwater suggest that working-class people are increasingly owning their own homes and that this tends to mean to the working-class people escape from restriction. ". . . a rising above limitation . . . imposed by a landlord . . . to the middle class person wanting a house tends to be perceived as a validation of status. . . ."³⁸

³⁶Gerald Handel and Lee Rainwater, "Persistence and Change in Working Class Life Style," Blue Collar World: Studies of the American Worker, ed. by Arthur B. Shostak and William Gomberg, op. cit., p. 41.

³⁷Ibid., p. 39.

³⁸Handel and Rainwater, op. cit., p. 39.

Hamilton, in his article on "The Behavior and Values of Skilled Workers," finds that skilled workers have a much higher home ownership tendency than do either the wage-workers, lower-wage workers, or white-collar workers, and in fact approximate the higher managerial classes.³⁹

On family behavior, Hamilton and Rainwater say that:

. . . all of these changes that are bound up in the shift of emphasis from the extended family to the nuclear family bespeak also a change in role of the working-class wife. In the traditional working-class family, the wife thinks of herself in terms of what she does for her family. . . . The middle-class wife thinks of herself in terms of what she does with her family.

For expenditure patterns: (a) expenditures for education are likely to claim a smaller portion of the working-class than of the middle-class income; (b) expenditures for services are less in working-class than in middle-class families; (c) expenditures for clothing and dry cleaning are less than for middle-class people; (d) the expenditure for hotel and motel rooms as well as transportation services tend to be lower than is true of middle-class families; (e) working-class people do not eat in restaurants with any great frequency.⁴⁰

. . . Thus the husband is the central person in the lives of these "working-class" women. . . . because these women feel as unsure as they do about themselves and their worth, about how acceptable they are to the world around them, they are heavily dependent on having a husband as a sign that they are full members of the society and mature women. . . .

The middle-class women's husbands are also important to them, but with this difference: these women do not feel so isolated from their husband's lives and they exhibit far less anxiety over whether their husbands are pleased

³⁹Hamilton, op. cit., p. 52.

⁴⁰Handel and Rainwater, op. cit., p. 41.

with their every little act. Middle-class women manifest great confidence about her place in their husband's affections, as well as the greater degree of self-confidence in her ability to "go her own way" and get by with it; they appear to be less willing to sacrifice their own interest in order to please any particular husband. They also appear to have greater intellectual resources with which to "understand" their husbands and they believe their husbands to be more "understandable." . . . In a variety of areas--the husband's work, the family finances, household chores--we find the working-class husband and wife going their separate ways. The couple's day seemed to be spent in isolated activity, with a minimal amount of time spent around shared interest. There seems to be a greater division of labor and interest between husband and wife in the working class than in the middle class. Often we find the wife a little unhappy about her isolation, but feeling that this is the way her husband prefers it. . . . In such circumstances they feel that the most they can do for their husbands is to keep their clothes neat and clean, so that the man will not look "like there is nobody to take care of him," or do a good housekeeping job so that the husband can go off to work in a good frame of mind and won't have to worry about what's going on at home. In contrast, middle-class⁴¹ wives seldom report separate vacations. . . . There is then in the working class a sharper⁴² division in who does what around the house. . . . A husband's main task is to work and earn the family's income. Working-class wives do not feel that it is their place to take any considerable interest in their husband's work or career. . . . While over two-thirds of the middle-class women emphasize taking an intense interest in the husband's work. . . .⁴³ For the middle class wife, however, the job has much richer meaning, it is a more integral part of the family's life in the penetration of family concern and career concerns is much greater. The wife considers herself more responsible for the husband's work performance and success, she must be understanding and helpful when he has

⁴¹Lee Rainwater, Richard P. Coleman, and Gerald Handel, Workingman's Wife (New York: Oceana Publications, 1959), p. 76.

⁴²Ibid., p. 81

⁴³Ibid., p. 85.

problems there, and she must do a good job of representing him socially to work associates, clients, the boss when that is necessary. For herself the middle-class wife often finds some knowledge of her husband's job intellectually stimulating; it helps her avoid being "just a housewife."

In summary, it is suggested that the educational attainments and occupational career patterns of the blue-collar person will cause him to have perceptions and values which will assert themselves in the process of new firm formation differently from what it will for a white-collar person. This difference will be seen in the extensiveness of "bureaucracy" in that new firm.

HYPOTHESIS

This study is concerned with the following general hypothesis: that if a business firm develops the appurtenances and characteristics of a bureaucracy, its founder imbued that firm with the necessary ingredients to become a bureaucracy and the entrepreneur reflects characteristics of the white-collar social classes of society. This study then will demonstrate the essential intimacy between white-collar values of the firm's founder and the subsequent development of a bureaucratic organization.

As a corollary, it is asserted that nonbureaucratic firms are developed by founders who do not imbue the firm with bureaucratic values and that they themselves have characteristics which are essentially blue-collar in their source and expression. This study will demonstrate that firms in this category tend to be more a form of self-employment or are extensions or departments of large-scale client companies as contrasted to the bureaucracy which in its essence is an independent and sovereign business firm.

It is apparent that there are a number of firms and founders who do not neatly fit the above dichotomy. These firms are then somewhere on the continuum between these poles. They may be there for numerous reasons, among which are the changing character of the founder (in either direction) or the newness of the enterprise, inasmuch as the characteristics of bureaucracy have not as yet been implanted or, rather, are only partially implanted in the organization.

For these reasons the following polarity has been asserted and the use of interview excerpts employed to develop a sense of confidence in

the patterning procedure. These interviews are immensely rich in detail. As the reader attempts to ferret out information, he is inundated with incidents which tend to ameliorate his feeling about the polarity of the subject. He gets to a point where he is unwilling to assign that particular subject to the pole position, and yet he knows that that pole position is a better selection than is the opposite pole. As a result, two other positions were devised for greater accuracy of classification. In essence, the left of the middle pole position represents subjects who belong to the left-hand pole position but who for certain reasons have been moved to the right. On the other hand, those designated to the right-of-center position are subjects who really belong to the right-hand pole but who for compelling reasons have exhibited some characteristics which attenuate their "strength" and move them to the left.

Chapter 2 will analyze and distinguish between craftsmen-entrepreneurs Class 1 and Class 2. Firms founded by Class 1 entrepreneurs are the least bureaucratic, and firms founded by Class 2 entrepreneurs are only slightly more bureaucratic. These two classes are on the left-hand side of the continuum mentioned above.

Chapter 3 will analyze and distinguish between organization-entrepreneurs Class 1 and Class 2. Firms founded by Class 1 entrepreneurs are the most intensively bureaucratic, and the firms founded by Class 2 entrepreneurs are slightly less so.

Chapter 4 will compare and contrast the various dimensions of the data presented in Chapters 2 and 3 in view of the hypothesis mentioned above. Chapter 5 will suggest final conclusions and some implications and recommendations for future studies in this field.

CHAPTER II

THE CRAFTSMAN ENTREPRENEUR

Craftsman Entrepreneurs Class 1

This chapter will compare and contrast craftsmen entrepreneurs' firms by using five items which are characteristics of bureaucracies and which were stated operationally by Richard Hall and noted in the previous chapter. Essentially, it is the lack of these items which indicates its position at the more primitive end on the bureaucratic continuum. These five items are: (1) There is no functional breakdown of any significance. This is particularly emphasized at the managerial levels. (2) Generally speaking, the entrepreneur resists efforts aimed at diversifying the firm or its product line beyond some rather narrowly defined limits. (3) Another indication is the lack of records indicating any policies or procedures of the firm. Normally, at this point on the continuum, these firms keep minimal records and these only because statements and invoices must be paid and government taxation and legal records are required. (4) The general attitude of the firm's founder is much like a form of small-scale self-employment, or he sees himself (and therefore the firm) as merely an extension or department of a large client firm. (5) As a natural consequence of item #1, there is very little, if any, hierarchical breakdown, there is no elaboration of status or power or functional distinctions in a hierarchical sense, and finally, the notion of blue-collar small business authoritarianism seems to be operative at this level.

Interview statements from the group of companies and founders in this category are reported on the following pages. An attempt has been made to select the interview excerpt which seemed most nearly to typify the attitude and actions of the entrepreneur toward each of the items mentioned above. There is no intent here to suggest that the personalities and characteristics of each of the firms in this particular class are identical. It is suggested, however, that the classification of these firms into this grouping is normal and does not seem to violate one's sensibilities in these classifications and in reclassifying the rich interview data into the following skeletal forms.

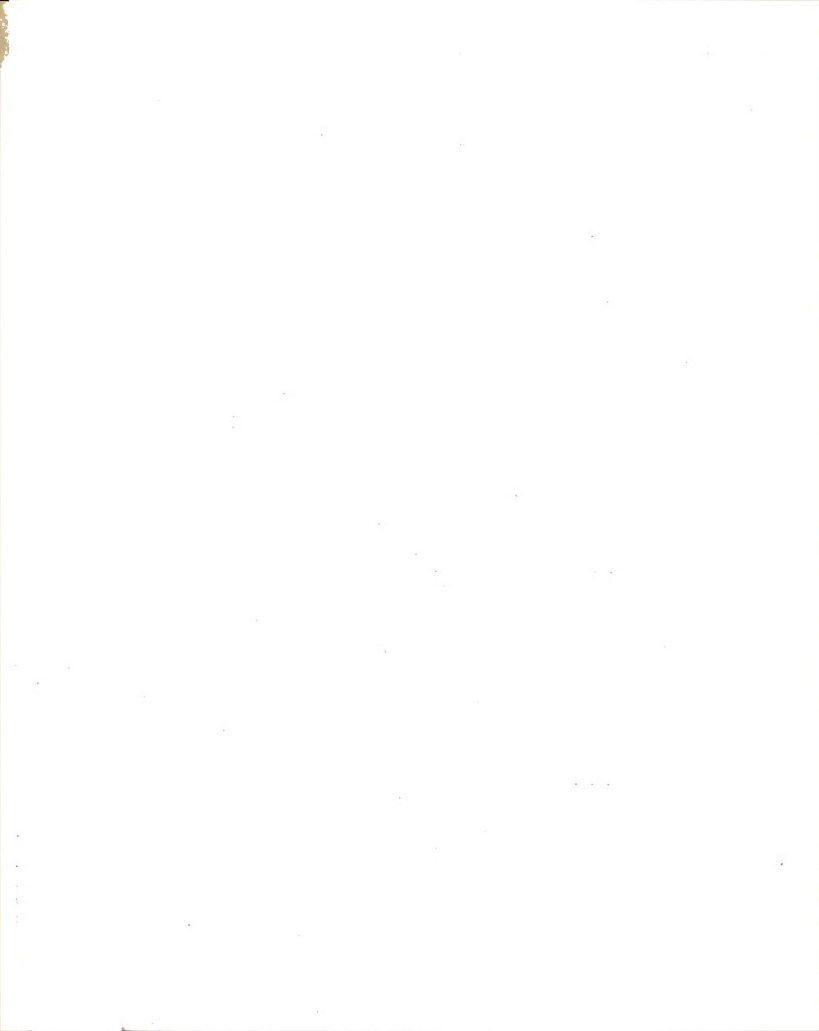
The first characteristic of no functional breakdown (and perhaps the fifth characteristic, in which there is no elaborate hierarchy of arrangements in the firm) is best typified by the statement made by Jim Pernachi, founder of Basic Industries.¹

. . . I do everything necessary in the company related to going out on the road to sell, bring the drawings back, decipher the drawings, make estimates on the drawings, conclude the bids, and even make deliveries and follow-up, and generally supervise the shop.

A second interview again illustrates this type of administration. This excerpt is taken from Russ Himmler, Acme Boring Company.

. . . In about eight months I found that my partner was getting ornery. I was out on the road getting business into the plant and my partner was in the shop sort of running things back there, and when I came back to do the engineering and the estimating and the bidding,

¹The names of firm founders as well as their company affiliation have been disguised as per agreement with them prior to the interview. A roster of all the interviews appears in Appendix III.



and following the work through the plant, handling the business end of the operation, I sort of felt my partner's job was to supervise the production on the floor. . . and my partner would get very upset if I would get back thirty or forty minutes late from making a call . . . and there were several people I had hired that I thought were really good men only to find out that my partner would turn around and fire them without so much as a say-so. . .

The second arena, in which the entrepreneur resists efforts at diversifying, is best illustrated by the following excerpts: John Lather of the Lather Die Casting Company:

. . . now I am happy about at this level, and I see no reason for working any harder at it, and I'm pretty good to the boys in the plant. They've never been threatened with the union, and I don't think they will be. We pay competitive wages plus time off with pay, and I'm an easy-going boss in a sense, although when I'm here in the plant I really want them working . . .

Another excerpt also reveals the lack of imagination and drive to increase business or to become more diverse. Mr. Alfie Kurt, founder of Wheeling Die Sinking Company, states:

. . . This product is a rather technical product used in controlling die making. It sold for around \$2800 a piece. We sold about thirty of them over the past eight years, and we expected to sell a lot more, but we haven't sold any for a couple of years now. . . In the past two years sales were about 70% right here in this town, and, oh, about 90% were in Michigan.

When asked what proportion of sales came from Michigan prior to two years ago:

. . . About 50% were out of state . . . I have nothing planned for the future except mebbe we might get into

this new electro-die cutting tool, but it'd cost us \$40,000. We have no new definite plans, but just sort of thinking it over. . .

The next item of bureaucratic significance has to do with records and record keeping. It was asserted that craftsman-entrepreneurs Class 1 generally keep no records of any importance and only the minimum records needed for government and invoice purposes. The following interview excerpts from Mr. Clark Gable of the Gable Perforating Company are illustrative of this style of enterprise:

I have two sons. . . this son designs the dies. My other son is the bookkeeper and he runs machines (editor's note: punch press in the plant) about 80% of the time.

The interviewers asked Mr. Gable had he known about the Michigan business activities tax would it have made any difference between locating in Ohio or Michigan. He said:

Oh, they have the same thing in Ohio, or at least that's what I have been told. In fact, I had not even been aware of this tax until my accountant brought it to my attention and said that I had better start taking care of it.

The interviewers then asked him about how much business he does in physical figures, and Mr. Gable mentioned:

It's hard for me to determine the actual tonnage of material coming and going out of this plant because some of our customers ship their own material to us, have us perforate it, and we ship it back to them.

In showing the interviewers around the plant, Mr. Gable said:

The cost of a job is determined by the amount of time that it takes to run the sheets through a machine. The smaller the perforation and the more area that is actually perforated, the more the cost of the job is, because the machine operates slower.

A description of the physical condition of the office, the place where the paper work takes place, is also revealing. The interviewer's notes read as follows:

. . . we also noticed that it consisted of three adjoining quonset huts--and as business expanded, additional quonset huts were built parallel to the original one. We approached the door at the center of the front building. . . and went to the left, which we determined was the office, and walked in. We introduced ourselves to Mr. Gable and pulled up two very old leather-covered, torn, with springs exposed, easy chairs and we sat down. The office itself was rather cluttered and dusty. It contained a heater on the floor, a television set, and a radio. The old wooden desk, which at one time was stained mahogany, was scarred and piled high with papers, particularly folded-up Wall Street Journals. It looked as if some of the newspapers had been there quite some time as seen from the collection of dust and yellowing sheets. In the cramped corner of the desk was a large, dark glass ashtray, which was full of cigar butts. . . During the course of the interview, he sat sideways and slouched in his old matching leather-covered swivel chair. There was a large calendar on one wall from a mill supply house.

Another attitude towards records and paper work was provided by Mr. John Dingle of Materials-Matic Company. The first excerpt is taken directly from the descriptive comments made by the interviewers as they entered the building.

The office is in the front part of a fairly large one-story-and-a-half building and Mr. Dingle's desk is at one end of this large office. There are

no partitions. There is another desk opposite his, and farther away there were a couple of other desks. All during the time we were interviewing, there were people in and out of the office, and there seemed to be almost a complete lack of privacy. Consequently, the interview was conducted in fairly low tones. Mr. Dingle's desk is by the front window, and had a fair amount of paper and items such as trade journals and drawings on it. Also it had a glass top covering a picture of four of his children. There was a chair in front of the file cabinets which had to be moved in order to gain access to them.

When asked about his plant layout, he stated,

Yeah, we use every bit of space. You notice even up above that office there was stored some of our stuff. And over there, above the rest of the office, which is actually the roof of the office up to the ceiling, we got that place fixed up for our drafting engineers when we need them.

In another interview excerpt, with Mr. Larry Auer of the Auer Spring Company, the interviewer notes:

He pulled out his financial report and looked through it to try to find the figures. It took him quite a while to look through it, and finally he found what he was looking for, and he explained to us, "I hadn't had much of a chance to go over it yet. At any rate, in 1960 my sales were 3.2 million. Now look here in January how I've been able finally to get my inventory down. That's why my profit is up."

The fourth aspect of the degree of bureaucracy existent in a firm indicates that the Class 1 Craftsman-Entrepreneur is very much dependent on the large firm to extend continuing business to him, and in many ways he acts as if he were an extension of a department of a large firm. This form of entrepreneurship is much like self-employment rather than the development of a new business enterprise with a degree of sovereignty.

In a certain sense this attitude can be seen from the following excerpt of Mr. Fred Just of the Just Tire Equipment Company. Mr. Just mentioned,

I once was called to come on over to the Ford Highland Park Plant where they had a problem melting tires onto the rim in a moving assembly line, and it was a real problem. I watched the operation for some three hours and then I told the plant manager that I could solve the problem. It took me a couple of weeks, but I took the prototype over, mounted it on and the unit was doing the job, and so I told the plant manager, now let me take it back to the plant and make some refinements on it and make up a full scale unit. Well, the plant manager insisted that I leave it there and bring the full scale model with me just as soon as possible, 'cause they need that equipment now. Well, I was pretty proud of this fact, and you know I'm just a practical engineer, I'm not a diploma engineer.

In another interview with Mr. Jay Bird of the Auto Trim Company, he said,

. . . Chrysler, as do the other auto companies, require us manufacturers to keep the dies. . . we gotta keep the dies because we get service orders for them. These are replacement parts for dealerships who sell to collision shops. It amounts to about a quarter of a million dollars a year.

The interviewers noted that there were "row upon row upon row of these discs set on racks and all lettered in the inventory building of the plant!" . . He continued:

We were the only one willing to submit a bid to the Chrysler Corporation on making that curved end tail piece, seeing as it was such an awkward part that nobody else wanted to have anything to do with it; but I said, hell, we'd take it on, and we did, and we were able to make a suitable part and pass it through inspection.

When he was asked how he maintains his competitive position in light of the fact that all but one of his competitors has now moved to a low labor cost area in Arkansas, he responded,

. . . primarily on the basis of being local and being able to stay in this area to do this work without having a union in the shop. For example, those dies out in back, if they send in an order for service parts I can truck it over to them in a matter of a day or so, all complete, and when we're setting up new jobs it requires a lot of contact with their engineers, especially in inspection. We send the first prototype models over to inspection and the boys look at it and if it suits them, then we can bring it back over, but that usually involves two to five trips in making all the final adjustments; and there is considerable change that goes on, too, between the time some designer dreams up a design until they finally decide which one they are going to build. . .

Again quoting from Mr. Auer of Auer Spring Company:

Well, after improving the wire I was able to start out by selling to Chevrolet and then those guys sent me over to Olds and to Buick and to Pontiac, to the point where we had practically 100% of their business of wire springs for cars; and Chevy said that after they got through testing my wire and found that it was superior to any other, they said, Okay, go ahead and make this, and I said, How much do you want, and they said, As much as you can give us . . .

In conclusion, some insights can be gained from the following quotation. Himmler at Acme Boring Company stated:

Nowadays when I walk into their offices (purchasing agents of large companies) they treat me with respect.

Craftsman-Entrepreneur Class 2

This class entrepreneur is characterized in his bureaucratic organization by the following distinctions: (It should be remembered that these classifications and their degrees, are only slightly differentiated from those of the Class 1 entrepreneur.)

(1) In the area of functional organization of labor, this entrepreneur has a more elaborate organizational pattern; that is, there are more people carrying out more specialized tasks than we find in the Class 1 entrepreneur. (2) There is a greater diversification in the product or products that these companies make as compared to Class 1; however, the diversification is only so far as skill was developed in producing these items. There seems to be some indication that bids for doing certain types of work also emphasize to a greater extent features such as quality performance and delivery specifications than they do for the Class 1 entrepreneurs. (3) There is a higher degree of competence in record keeping. This is not to suggest that there is a considerable increase in sophistication of these records or of the use made of these records. (4) There is a tendency for greater sovereignty of these companies. It is speculated that it is perhaps easier to sell a going company in Class 2 than in Class 1, inasmuch as there is a lesser dependence on a single individual to carry out a multitude of tasks; also there are a larger number of salable and therefore income generational assets available for sale which have usefulness to the purchaser. (5) There is a greater hierarchical range in these firms. This follows naturally from the previous four items, and particularly the first item above, which demands greater coordinating emphasis.

Some illustrations from entrepreneur interviews which have been designated as Class 2 are descriptive of the above points.

Mr. Eloise Rivers, Foremost Manufacturing Corporation said,

. . . and most of these small accounts are for specialized jobs, and my chief engineer, Gerald Simons, takes special supervision of these.

In a second excerpt from another interview, Mr. John Kiwi of the Metal Benders, Inc., was asked about his organizational arrangements, and he replied,

. . . Now I have a finance man who is our accountant and bookkeeper, and an operating man who is in charge of production and the plant. I got Erdmann when I bought out the Swift Company in Indiana. I also have a Plant Engineer who does the product design work and estimating and layout work.

Later in the interview he mentioned how he was able to move into his new plant:

. . . We got the Lafayette plant by borrowing money from a Jewish acquaintance, but on absolutely no collateral whatsoever. We did have some expensive machinery around, but I wouldn't put that up against a loan . . .

Another type of organizational arrangement is the highly simplified process used by Book Records, Inc. Mr. Lee stated that:

. . . There are two female employees who do the assembly work. There are two secretaries who do the billing and the handling of paper work, and a young accountant-controller. I'm the general manager but I do most of the selling work, and getting our catalogue listings in the Sears catalog, and things like that. We are going to have some 30 representatives this next year who regularly call on the school and library trade, 'n' that'll help . . .

And finally, the interview with Mr. Robert Eve of the Paradise Company demonstrates that it is familial relationships which lead to functional breakdowns rather than the emphasis on hiring additional managerial people. He states in his interview:

. . . three of my four brothers were also at Able Company in various departments in the tooling and machine areas. Tom was in tool and die design, Harry in the process work, and Dick in another phase of operation (editors' note: This was in heat-treating). By 1946, I was the supervisor of the tool design department . . .

Note that this is almost precisely the same occupational breakdowns these brothers occupy in the Paradise Company, including the fact that the eldest brother, who was supervisor of a very large-scale tool toolroom, is now acting in the capacity of President of this corporation.

In the second area, i.e., greater diversification of product, Mr. John Kiwi of the Metal Benders Company explains how he was able to enter an already established set of relationships and oust the other manufacturers in selling to the automobile industry. He stated that he obtained his first major automotive account in this way:

. . . I don't really like this automotive business, but this guy at Chrysler who'd known me back when I was operating the Feltex Company called and asked me to bid on some work that evidently no one else wanted. I held off and he pleaded with me, so I bid on this particular item, which was a wrist pin. Well, we got the contract and it was fairly profitable. I'm not unhappy for having gotten into automotive work, but I sure don't like to stay wholly in it . . .

The interviewer's notes continue:

. . . Purchased . . . the Swift Company in Indiana . . . because they were available and they also made a line of wheels which are primarily stamped steel sheets with a rubber tire mounted around the rim. This product line was a natural fit for they already had existing stamping and assembling facilities in the Metal Benders Company

In conclusion, another form of competitiveness of the Class 2 entrepreneur is taken from the statement of Mr. Robert Eve of the Paradise Company who said,

It seems that many firms . . . have labor contracts and these contracts state that . . . tools, dies, jigs, and fixtures may not be moved out of the plant for completion in case of labor problems or strikes. That puts the buyer . . . at a decided disadvantage . . . he gets involved with a labor dispute even though he's not a party to it . . . we do not get involved with these problems and we can guarantee delivery to our customers . . .

The third item which characterizes a degree of bureaucracy indicates a higher degree of record keeping. This item can perhaps best be visualized from the interviewer's description of the office of Mr. Carl Norse of Norseman Broach Company, as follows:

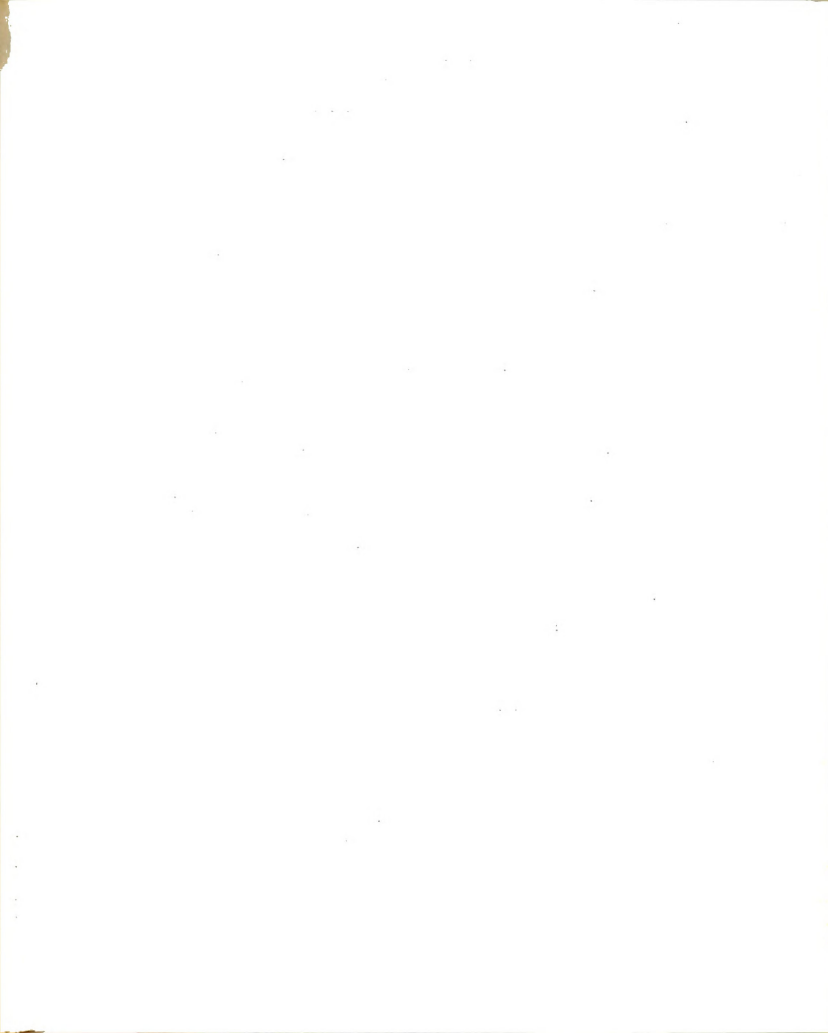
. . . We arrived at the appointed hour . . . the company is located on Mound Road, on which there is a stream of small and large manufacturing plants for a great number of miles in either direction from this company. The Norseman Company is located in a fairly new building probably built around 1950 and of the standard variety with the front office located toward the street, extending almost the width of the entire building, and with the factory portion located behind the front office. We entered the middle portion of this front through an entrance vestibule. The southern half of the building from the vestibule is a fairly large, approximately 60 ft. by 25 ft. wide, engineering and estimating section. . . . We were able to observe through the glass doors three

ties in that part of the building. . . . The room was painted a light green wall with tan tiled floor and white acoustical tile ceiling with fluorescent lighting running the length of the building. The north half is absorbed primarily with the front office bookkeeping, accounts, billing, and the secretary-receptionist who also functioned as the switchboard operator for incoming calls. This portion of the office had two desks in addition to the secretary-receptionist counter and switchboard area. There was a bank of approximately four file cabinets. The portion of the office extended approximately 40-45 feet from the vestibule. The remaining portion of the office had two desks and was behind another wall, and one had to walk through the office to get into that back office, which was the headquarters for Mr. Carl Norse. This portion of the office was also painted a light green color, partially panelled, with tan tile floor and white acoustical tile ceiling. All the furniture in this office was of the metallic green steel variety. Mr. Norse's office was similarly attired. He had a larger desk, but the chairs and swivel chairs and credenza were the matching metallic green steel variety. There was one girl who worked in the front office. We found out later that she performed all of the necessary paper work functions of tallying records, paying invoices, making up payrolls, etc.

Mr. Norse was asked about the volume of business that he was doing, and his response was:

Well, we have about 26 direct labor production men in this operation, and last year we did about \$850,000 worth of business. . . .

Then he excused himself and went into the office and picked up and brought back the accountant's report in which there was a slip of paper indicating earnings for the past few years. The sales figures fluctuated variously from \$530,000 to \$870,000 with a close correlation to the general level of automobile business.



Then he went on to state:

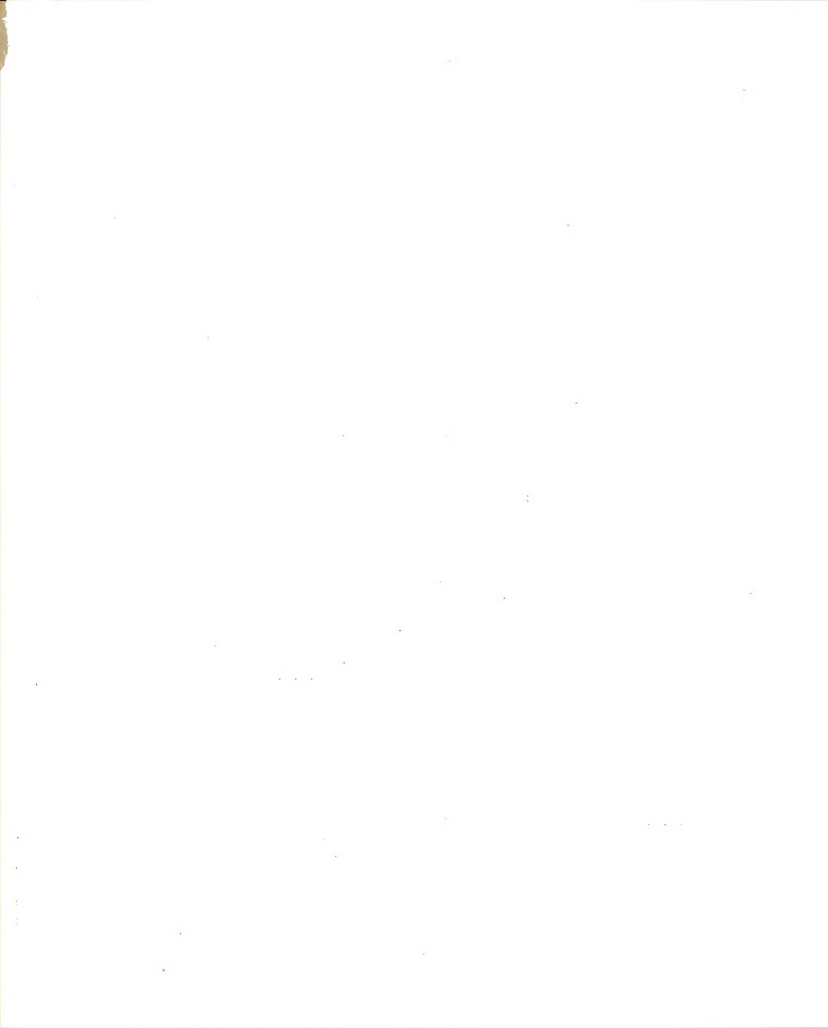
In the first quarter of 1961, we did \$188,000 worth of business; and you know, these figures are very interesting, 'cause from 1956 through 1959 our profits ranged somewhere between three and four per cent. Now in 1960 our profit ratio went up to seven per cent, and here's the clincher: In 1961 for the first quarter reported, our profit ratio is up to nine per cent. I really don't know what to attribute this to.

The interview at this point extended for another half hour, as Mr. Norse discussed a great variety of things that he believed contributed to a higher profit ratio. At no time did he make a definite statement or that it was perhaps a combination of these items. Later on in the interview he was talking about the use of overtime rather than second shift work when he stated:

I'd rather not do what my competitors do, and I believe in going into overtime. You know, there's a lot of indication here. We don't write letters in our operation. I get on the phone, and I notice that when our telephone bill is the largest that's when our business is the best. I don't believe in writing. I call; I'm just not a composer of letters. I feel I'd rather, than insult a man. I can get my point over the phone much more easily. . .

In another interview excerpt regarding this sphere of activity with Charles Minor of Minor Spline and Gear Company, the interviewer's notes indicate that this office arrangement is very similar to Mr. Norse's above . . . and then he brought in the W-2 forms for the year 1960 and showed us the wage rates for the men in his plant.

Now look here. An unskilled worker, the sweeper in my plant made \$5,600. My secretary, who keeps the books out front, makes \$7,600, and the wages range upward to my top scale man.



He said:

Look, this wasn't even a particularly good year for the men in terms of overtime, and yet my top skilled man made \$13,800 and this is not counting further outlays of \$144 for his share of Social Security and does not count the outlays made for 75% of the hospitalization benefit or life insurance benefit. Look here, my plant superintendent made a shade over \$15,000.

Later in the interview Mr. Minor talked about the fact that he bought a tobacco farm in Kentucky, near Paris, Kentucky, and as he discussed this he stated:

You know, before I purchased that farm I went on down to the University of Kentucky at Lexington and I got a lot of free advice and a lot of free information, but that's what Ag. schools are for, and it was there that I got a lot of my ideas about rejuvenating this farm and mechanizing it and a number of other ideas to make that a profitable operation. . . .

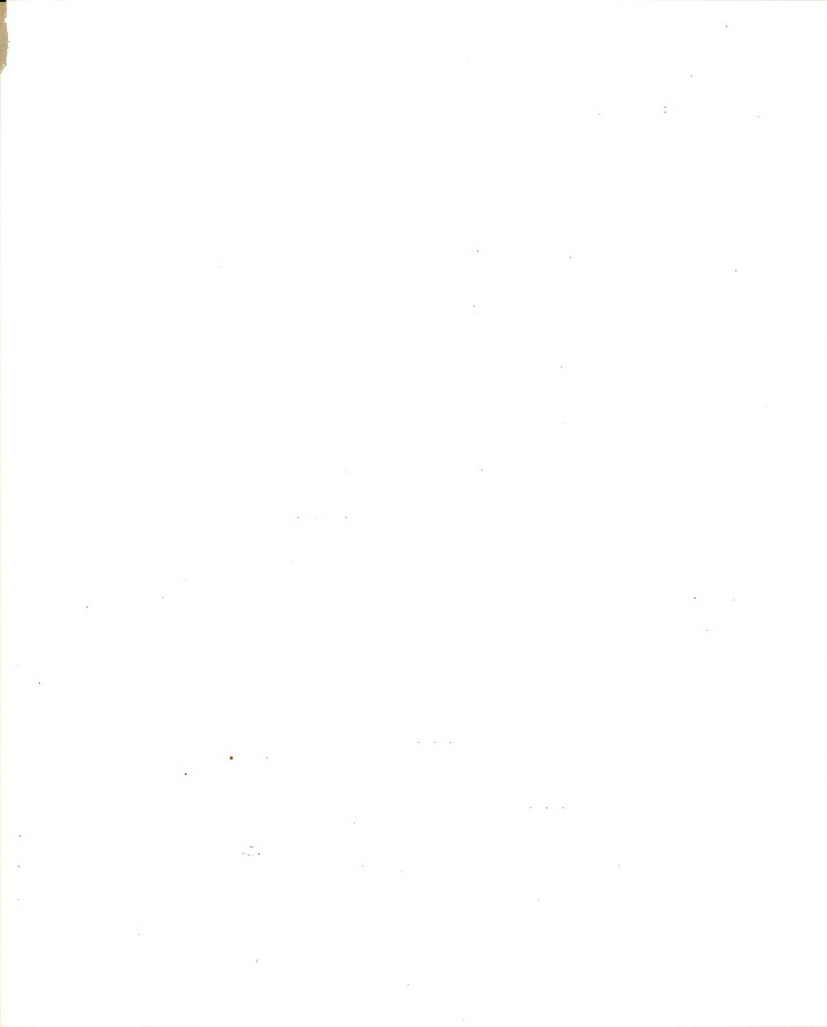
The fifth and final item in the category concerning craftsman-bureaucratic organization has to do with hierarchy or the lack thereof.

Mr. John Seedy of the BMT Stamping Specialties Company stated:

This is about as big a family as I can handle and since I and the rest of the founders came out of the factory, we understand the problems of the workmen, and we remain close to them all. We even sort of have somewhat of a guaranteed annual wage. . . for that matter we've grown about as big as we can or as big as I want to. Sure, we can grow and make larger profits but we couldn't maintain our profit percentage with that additional business. . . we are roughly fifty employees, and we've had that for about three years. . . and there on your right is that small enclosed office with one large drafting board and a filing cabinet and spec charts, and that's the engineer's office. He's not a graduate engineer ; in fact, there are no graduate engineers in the company; he's a tool designer, a practical engineer.

When asked if he did any entertaining or customer contact, Mr. Seedy said:

No, we don't do any entertaining at all. That's handled by our sales representative.



Portrait of Craftsmen Entrepreneurs

The usual methodology for characterizing social class background is to investigate, first of all, the occupational traditions in a family life cycle. Inasmuch as occupation becomes a focal point for several socially determined characteristics, this is a useful scheme. A man's occupation is usually the result of the skills both manual and social that a person brings to his job. From this it can be deduced, therefore, the approximate amount of education and inherent intellectual characteristics that the incumbent of an occupation has. Secondly, inasmuch as a set of values inhere in an occupational system, it is legitimate to suggest that the incumbent of the occupation will himself ingest and manifest numerous values in that occupation. For example, a blue-collar factory worker will absorb the values of employment as a blue-collar worker; he will see the world around him through the eyes of the values that have been invested in blue-collar work both by himself and his colleagues and the values set on that occupation by society in general. He will react to employment and unemployment, security feelings, the sexual maleness or femaleness that are invested in such occupations, the time dimension involved, the autonomy that he can exercise in that occupation, the amount of social contact he has with colleagues and whether the social characteristics of other occupations will be enhanced or limited by his present occupation, etc.

A thread that would seem to tie many current findings together is the tendency of a person to use himself as the norm of standard by which he perceives or judges others. If we examine current research, certain conclusions are suggested: (1) Knowing yourself makes it easier to see others

accurately. When we are aware of what our own personal characteristics are, we make fewer errors in perceiving others. People with insight are less likely to view things in black and white terms and to give extreme judgments about others. (2) Our own characteristics affect the characteristics we are more likely to see in others. The extent of one's own social ability influences the degree of importance that we give to the social ability of other people when we form impressions of them. The person with 'authoritarian' tendencies is more likely to view others in terms of power and is less sensitive to the psychological or personality characteristics of other people than is a nonauthoritarian. (3) The person who accepts himself is more likely to be able to favor aspects of other people. (4) A corollary is the finding that for people we like, we tend to perceive more accurately the ways in which they are similar to us, and are less accurate in viewing the unlike ways. (5) Accuracy in perceiving others is not a single skill that some people have and others do not have.²

When he starts going out to work, the individual will carry with him a host of attitudes that have been acquired from the culture (broadly, the major group memberships, including nationality, class, and religion), his family and fears, and those with whom he has previously worked. . . by the time he goes to work for a specific organization (particularly if it is not his first job), he will hold many attitudes concerning such areas; for example, pay, working conditions, company policies, the way he should be supervised, the way of supervising others. He will have attitudes about the way work should be done, what constitutes a day's work, the way people should be treated and the ways to sell a product. Such topics as the appropriate relationships with different units of the company as well as with customers, suppliers and competitors will bring out views based on attitudes already formed. . .³

Another determinant that can be characterized by an occupation is

²Timothy W. Costello and Sheldon S. Zalkind, Psychology in Administration, A Research Orientation (Englewood Cliffs: Prentice-Hall, Inc., 1963), pp. 45-46.

³Ibid., p. 262.

the factor of wealth and particularly how that wealth was earned. An unskilled blue-collar occupation offers relatively little in remuneration. Therefore, the amount of discretionary income, the values that one has towards expensive vs. less expensive items, taste, and perhaps even values toward education as well as style of education are to that extent determined. And finally, where--that is, in what neighborhood and in what types of towns--people will domicile. And, therefore, it is asserted that the values of any children of issue will be determined significantly from the values impressed on them by their parents. That is, children of blue-collar families will learn and manifest those values taught to them by their parents and by the social neighborhood in which they live (which also is usually of blue-collar status and therefore the neighbor's children will have blue-collar values). While some of the characteristics of blue-collar versus white-collar tend to be fraught with ethical judgments of goodness and badness, depending on the viewpoint of the reader, the intention here is merely to point out that these learned characteristics, when manifested in the process of new firm formation, will become part of the values impressed into that organization. For example, if blue-collar occupations necessarily result in a short time perspective and the resultant salient need for concrete and rather immediate feedback information or results, this will tend to result in business firm characteristics which will also have the same felt needs. Therefore, the result will be a style of business endeavor which differs from that of firms which can engage in long-range planning and long-lead time from point of embarkation to final gratification.

It is interesting, therefore, to catalog the occupational backgrounds of the fathers of the craftsmen-entrepreneurs, as shown in Table I.

FATHERS' OCCUPATIONS AND EDUCATION

<u>Occupation</u>	<u>Education (when given)</u>
1. Lower level salesman	---
2. Shipping Clerk, unemployed for various periods	Less than high school
3. Blue-collar worker; later became white-collar and upper management	---
4. Skilled blue-collar worker	---
5. Domestic fuel oil salesman	---
6. Blacksmith	Less than eighth grade
7. Farmer	Less than eighth grade
8. Unknown	---
9. Blue-collar worker, later became white-collar	---
10. Foundry worker	Less than eighth grade
11. Small-town lawyer (Canada) eight children	---
12. Sheet metal worker, later became foreman	High school graduate
13. Retail clerk, small general store	Less than fourth grade
14. Factory worker	---
15. Father died at age three; mother was scrub woman	---
16. Farmer and later factory worker	Eighth grade
17. Unsuccessful real estate salesman	---

Table II is a cataloging of the amount of education completed by the entrepreneur (the sons of the fathers in Table I). This list is somewhat incomplete, although some of the interviews do mention additional schooling, such as correspondence schools and some trade schools and specialized courses; however, not all the interviews explored this item in depth. The cataloging matches the same order as in Table No. I.

TABLE II

EDUCATION AND TRAINING ATTAINMENT - SONS (Entrepreneurs)

1. High school graduate plus skilled experience as salesman
2. One year of college, two years managerial and six years skilled work experience
3. High school graduate, plus skilled experience, plus two years of supervisory experience
4. High school plus skilled experience, four years supervisor
5. High school plus skilled experience
6. Less than high school, plus skilled experience (two years)
7. Less than high school, plus skilled experience
8. High school plus six years supervisor, one year managerial experience
9. Completed Junior College, one year managerial experience
10. Tenth grade, plus five years managerial experience
11. Less than high school, plus skilled experience
12. Two years college, plus skilled experience
13. Tenth grade, plus managerial experience
14. One year law school (no A.B. degree), plus skilled worker and one year managerial experience
15. Tenth grade, plus special extra courses, plus two years managerial experience
16. Tenth grade, plus trade and ICS school
17. High school, plus six years managerial experience

Work Experiences

The early work experiences of the founders are remarkably alike. The reader will note in the excerpts below that there is a constant floating from job to job. After "learning to operate all the machines" in a given location, monotony seems to set in. Also noted was the fact that seldom could these entrepreneurs recall the names of companies they were employed in, but almost always they could remember the name of the foreman who hired them and "sort of looked after" them. Relationships were very personal. Usually, too, there was some evidence of personal difficulty with others at the work place. Russell Himmler stated it succinctly:

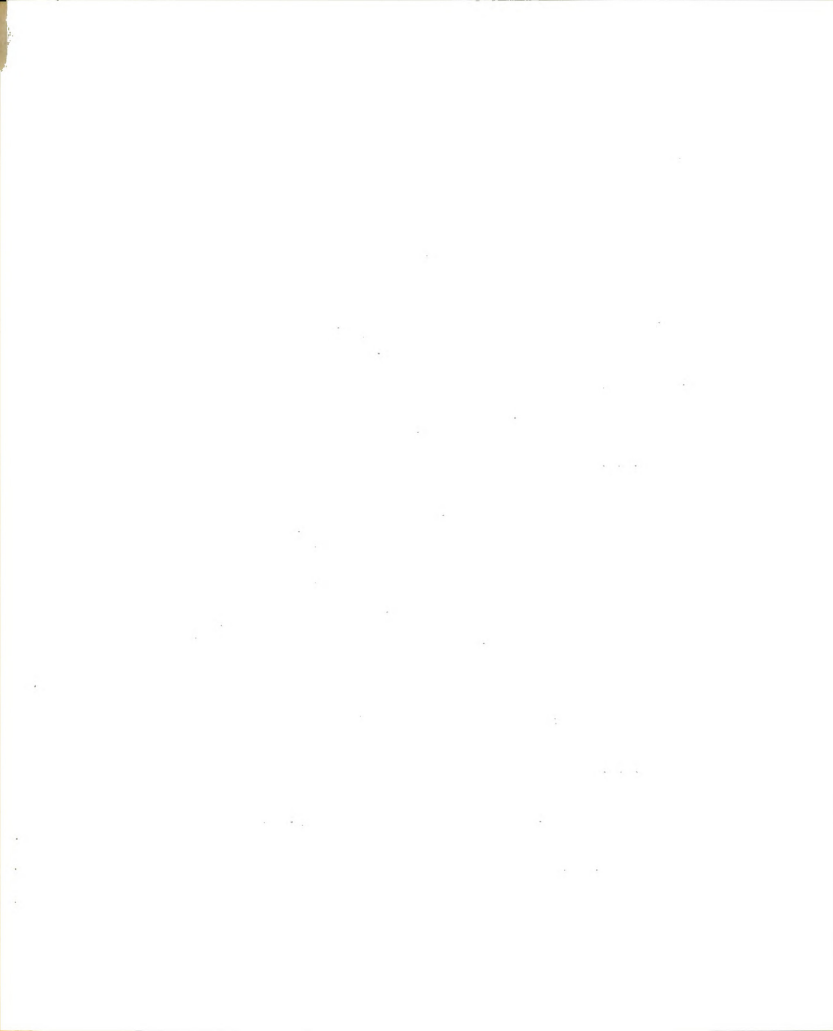
. . . I was only 18 years old at the time but I got along very well with the foreman, and as a result in six months' time I had learned to run every machine in that particular shop. . . I was asked to go into the toolroom, which was considered a promotion. This meant I would have had to take a pay cut to \$6.40 a day and I talked to the foreman about this and told him I'd like to stay in the cutter-grinder department; my foreman told me this was a much better job and so I went on over and I got along quite well. I did well in that place and made progress learning all about the equipment and operations.

The interview with Charles Minor of Minor Spline and Gear Company repeats the same theme:

. . . I was hired as an apprentice machinist, and I watched the operation for a little while on the machine, and then I was put on the machine itself and started to work . . . and went to the Vinco Company. I learned a great number of operations, starting off as an apprentice, and worked my way through a great number of operations. . . .

And John Lather, Lather Die Casting:

He gave me a bucket of kerosene and some brushes and rags



and told me to go out and clean down every machine in the plant. Well, it was a big operation and then something broke. I began to learn the machine trade that way and I figured I'd gotten a chance. Well, at any rate, I got about two-thirds of the way through this cleaning job when a job opened up on a milling machine on a tap, and I proceeded to start learning the machinist trade. Eventually, I learned to operate every machine in that shop.

And, finally, the interview with Carl Norse at Norse Broaching:

I worked in several plants, operating broaching equipment. . . and from 1934-1937 I was in charge of all the broaching equipment at Chrysler. . . .

Carl Norse, later in the interview, made the following statement: "A good workman on a good piece of equipment can turn out twice as much as a good workman on a poor piece of equipment." This statement expresses concisely the general attitudes of the craftsmen-entrepreneurs. Their entire lives have been centered around learning about equipment, developing ways of handling or coaxing machines, and they have each developed very strong emotional ties to this idea of machinery and equipment. These are not unlike the feelings of a westerner or cowboy toward his gun, or the sports car enthusiast to his automobile, or the sailor to his ship. Russell Himmler also states it:

We were buying new equipment constantly and then we had a new Cincinnati Boring Mill on order and there was just no place to put it in our particular operation. As a result. . . I built this new building. . . and we moved everything over, including our new machine. . . . It has been my motive to buy a lot of equipment, large equipment, and good equipment. And with my production know-how, using good men on good equipment, this keeps us very competitive.

Charles Minor of Minor Spline and Gear stated:

I used to enjoy going out and turning a machine on my own and I used to do it quite regularly. Now with the union in the plant, I can't even go out into my own plant and turn a machine. And I own one hundred per cent of the stock in this company, and I cannot even go out and turn one of my own machines when I want to. Look at my hands here; they're like women's hands. You know, in my spare time I repair clocks in my basement. I'll do anything to keep my hands active mechanically. I play with the clocks, I make the pendulum movements change directions; I even go to my neighbors and friends and get them to give me their clocks. I go down and buy spare parts in the junk yard just to have something to do . . . and then all I do around here is to sit here in my chair eight hours a day picking my nose!

The Idea of Starting a Business

The motivations and the early conceptions for leaving one's present employment and attempting to start a new business vary somewhat from one firm's founder to another.

Here at last is the evidence for what economists and others have been calling for so long and so inaccurately the "profit motive." If we can assume as all our evidence indicated, that western capitalists were actually motivated primarily by the achievement motive, we cannot understand why they are interested in money profit, although not, paradoxically, for its own sake. Money, to them, was the measure of success. It gave them the concrete knowledge of the outcome of their efforts that their motivation demanded. . .⁴

Even assuming very little occupational information, a man may try out several roles and discover the one that suits him or the one at which he is most successful. Business activities may be undertaken 'on the side' in an experimental or a tentative way in combination with almost any occupation. In fact, Bendix and Lipset report (1959, p. 162)

⁴David C. McClelland, The Achieving Society (Princeton, N.J.: D. Von Nostrand Company, Inc.), p. 237.

that men who end up owning their own businesses have worked in a greater variety of other occupations than men in any other occupational group. Consequently, we might expect the area of free choice that individuals with high n Achievement would, on the average, tend to "drift into" or "find" themselves in the business world because it requires those very characteristics that they possess.

People characterized by a high n Achievement level tend to travel more.⁵

It is noted that in several interviews the notion that the lack of education for further progress became one of the underlying reasons for people leaving firms. Other individuals mentioned some additional factors, such as those mentioned by Robert Eve of the Paradise Company:

. . . I have been thinking of going into business for myself since around 1938. . . . We talked about it and laid some minor plans and then when the war came along . . . unable to make any further progress. . . three of my four brothers were also at Able Company in various departments in the tooling and machine area . . . Tom being in tool and die design, Harry in the process work, and Dick in another place of operation. . . By 1946 I was supervisor of the tool design department and as such was in a high-paying, comfortable job. . . I indicated my intention to quit as of the first of January, 1947. . .

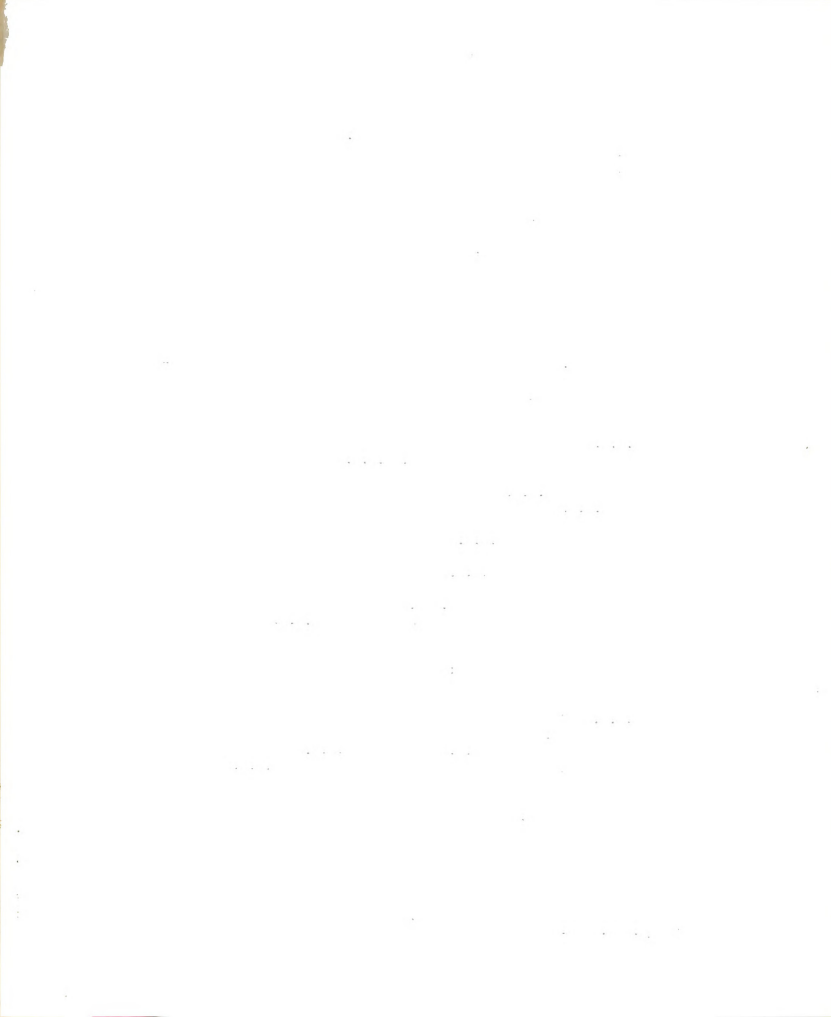
Carl Norse, Norsman Broach, stated:

. . . And then I went to Detroit Broach where I stayed until 1954. It seems that in 1952 Norseman Broach was started by a group. . . meanwhile I . . . started a little company in partnership in a back-alley garage. . .

Russell Himmler mentioned:

I stayed about 15 years at the Ford Motor Company and then with a tool and die company for only about a year

⁵Ibid., p. 316.



after that time because I started into an agreement with Mac to go into business for myself. . . and I asked a friend of mine whom I'd known for a while to go into business with me and we were able to buy the machines. . .

Charles Minor stated:

The war was over and I was laid off. I hired into another place as sort of estimator and plant production man, and the owner of the company had a bad habit of hitting the bottle hard and regularly, and he'd be gone for two and three days at a time; so I figured to myself, why not go out on my own and maybe I could do even better. So I kept at this job about a year while laying the groundwork for going into business for myself.
. . .

Jack Kiwi, Metal Benders, Inc., stated:

I was quite disgusted with this entire relationship with Feltex Corporation. You see, the son of the owner had come into the business and proceeded to give orders for three hours out of the middle of the day, and brag about his enormous income; and I just quit!

Larry Auer of Auer Spring Company, about one hour after the interview started, stated: "I'm an ill-educated man; do you mind if I use shop talk to describe what happened?" This lack of education was repeated three times by Mr. Auer in the interview and was stated as his primary reason for leaving the large spring and wire company which had employed him in a managerial capacity previously.

Preparatory Steps

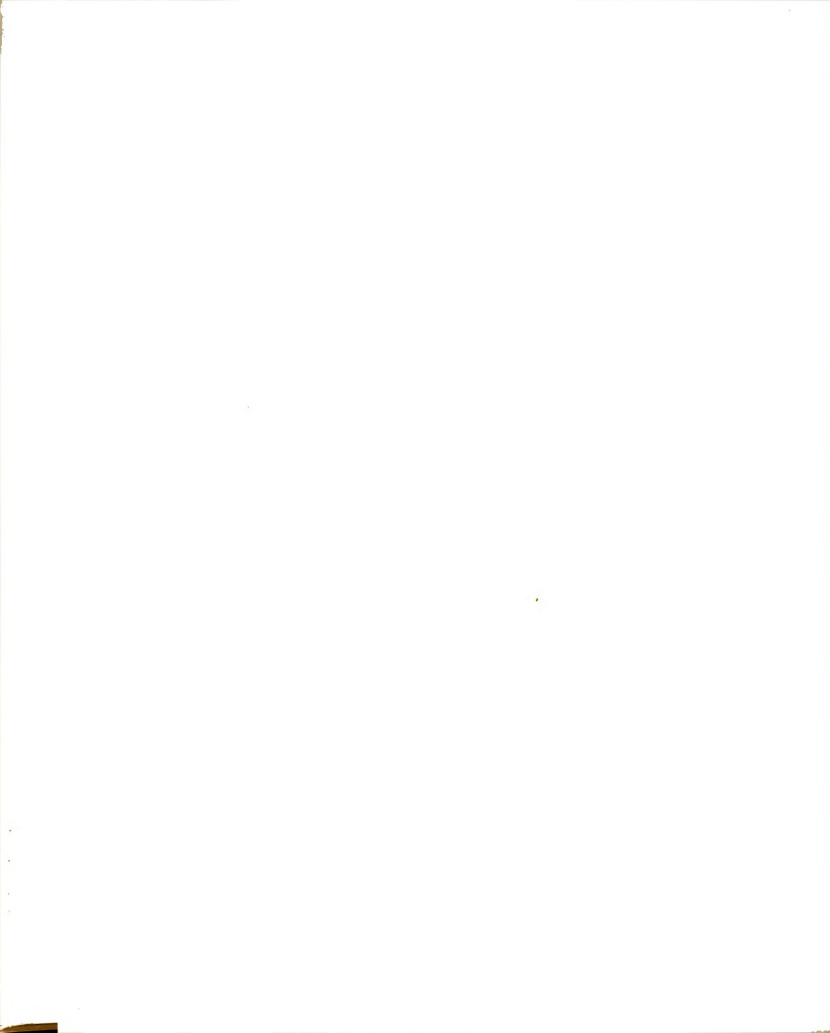
Because the craftsman-entrepreneur has generally emanated from the blue-collar class, he does not have an enormous amount of money with which

to begin his enterprise.⁶ Similarly, he does not have a series of connections nor has he established any large-scale credit upon which to draw during early stages of his enterprise. He must therefore resort to his own liquid resources or those resources which he can borrow directly, usually from a relative or very close acquaintance. It seems generally from these interviews that it takes about two years of business survival to establish the entrepreneur's earnestness. Some were luckier than this but the majority took this long a time in order to generate a sufficient flow of resources wherein the firm could be identified as being on its own, with a degree of sovereignty. In any case, in starting enterprises there is a period of more or less prolonged anxiety and intense effort. The reason is that any new enterprise, to succeed, must have equipment, sales outlets, and the financing necessary to start production. The craftsman-entrepreneur with his limited background is likely to pay little heed to the interrelatedness of the three, seeing not the whole picture but its parts, seeing not three intersecting arcs but three separate sides of a triangle. With a will to succeed, he tackles one factor at a time and does not suffer from setbacks or rebuffs. In time, with perseverance and experience, he does interrelate these three necessary ingredients and begins to generate the necessary cash flow.

This is illustrated by the comment of Robert Eve of the Paradise Company:

. . . We talked about it and laid some minor plans in 1938. . . we commenced to pay off the mortgages on our homes. . . so that when we start. . . homes completely paid for. . . and put together \$22,000

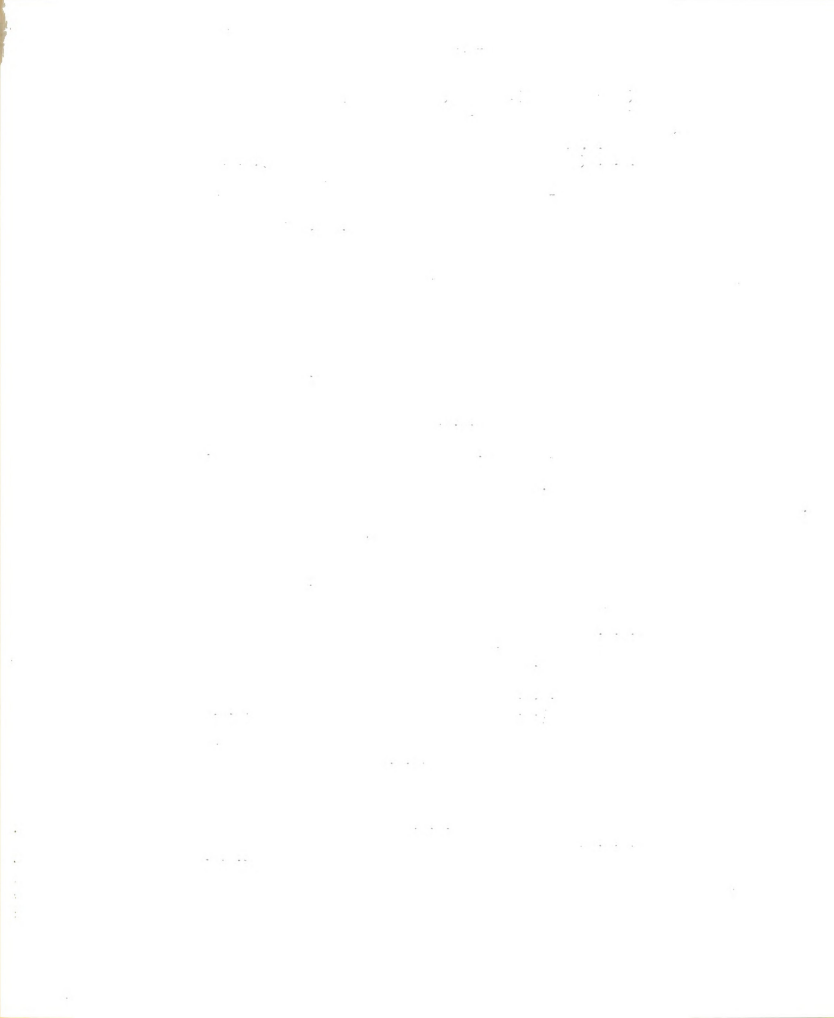
⁶This is consonant with the findings of Mayer and Goldstein, op. cit., p. 122.



(this was 1946). They (Able Company) put the old equipment in storage. Near the end of the war, around 1946, they began to sell this surplus equipment. . . we retained a lawyer to set up papers . . . (and that's the last we have seen of him). . . Originally \$22,000 was used to buy equipment, obtain the lease--only two months' advance rent--move equipment, obtain the lease, buy raw materials; the last four thousand dollars was soon spent. . . In the early days sales were difficult because we were breaking into an existing market where other firms already had their foot in. All we could hope for was to pick up snatches of small bits of contacts here and there to perform certain kinds of work, and do the best mechanical engineering processing job we could, so as to impress owners, customers, and clients of our ability to do the kind of work we were contracting to do and do it well. In this way we have established a strong clientele, but it has taken a great number of years to develop this kind of relationship. . . Originally the bank wanted a mortgage on the equipment that the firm owned, and my brother said, no. We would not mortgage the equipment but we were able to work the bank on the basis of invoices. As we received invoices from, for example, Able, to do different kinds of work, we would take them to the bank and obtain sufficient funds to pay off our labor and finish the work. . .

And according to Carl Norse, Norseman Broach Company:

. . . In 1952 Norseman Broach was started by a group of men in a three-car garage and they were attempting to get going. Meanwhile, I left Detroit Broach and started a cutter reconditioning and repair shop in a back alley. . . We bought out the original Norseman Broach group. . . there were two silent partners. . . The original amount of money we put in was \$55,000 and I was the president of the company because I was primarily the guy out selling. . . I felt that since I had developed these contacts over the years these people would be loyal to me, but I soon found out this was wrong. You have to have a shop backing you up when you're out selling. . . I had spent 16 years . . . I had a number of contacts primarily through the back door with master mechanics, tool room people. . .



Charles Minor of Minor Gear and Company:

. . . So I kept at this job about a year while laying the groundwork for going into business myself. Well, about that time I had about \$12,000 saved up through war bonds and other savings, and I proceeded to buy machinery and other equipment on my own, which I stored in the basement, and then I went out and rented a shop that was sort of a two-car garage size, and in 1948 I opened the doors to business . . . These people began to send business my way . . .

Russell Himmler of Acme Boring:

. . .and I asked a friend of mine whom I had known for a while to go into business with me, and we started to buy machines, particularly from war assets under the Clayton formula. We bought two machines, a hoist and a layout plate and a number of other items . . . we were going into the boring and grinding business. It was tough. We were not only doing outside work during the day to make ends meet, but we'd go down to the shop at night and weekends in order to get started on this thing, trying to do all the work ourselves. . . At the start we each put in \$7,000 to buy the equipment plus we paid off half the accounts. . . and all the equipment that has been purchased by this company was purchased for cash all the way down the line. We've had good relationship with the bank and I've never had to use the banks to any large extent except for minor working capital purposes, and you know we got plenty of assets and collateral to put against those. . .

Initial Capitalization

It is noted throughout the interviews that the craftsman-entrepreneur, when discussing banks and bankers, indicates a high degree of distrust or uselessness. The interviews are replete with statements indicating that the firm has been built on the basis of cash and very little use is made of borrowed capital in any form whatsoever. This fact is also highly indicative of the blue-collar worker background where banks are seen as places for the deposit of money, for the safeguarding of resources,

but not for the purposes of obtaining large amounts of resources. It is only natural, perhaps, that until these firms became quite highly successful, lines of credit by banks or other lending institutions were not available either to the individual entrepreneur or his firm. The notion of security, of not tying up one's assets as collateral against loans which perhaps might not be paid off--followed from these same sentiments. If the tools belong to the entrepreneur, they are his.⁷

That the desire to run a business is high among manual workers is born out by Chinoy's case study of automobile workers who see an opportunity to gain in business ownership what they rarely achieve in the factory. As one of the machine operators in the Chinoy study put it:

The main thing is to be independent and give your own orders and not have to take them from anybody else. That's the reason the fellows in the shop all want to start their own business. Then the profits are all for yourself. When you're in the shop, there is nothing in it for yourself. When you put in a screw or a head on the motor, there is nothing for yourself in it. So you just do what you have to in order to get along. A fellow would rather do it for himself. If you expend the energy, it's for your own benefit then.⁸

No matter what the fortunes of the business may be, the entrepreneur feels that with his own tools he can always re-enter the business world again, unencumbered. He will absorb credit from suppliers and personal loans because he does not see these as threatening the essence of his enterprise--that is, his tools and equipment.

Furthermore, it is interesting to note that in those cases where

⁷Kurt B. Mayer and Sidney Goldstein, "Manual Workers as Small Businesses," in Shostak and Gomberg, op. cit., p. 538.

⁸Ely Chinoy, Automobile Workers and the American Dream (Garden City, N.Y.: Doubleday and Company, Inc., 1955), p. 86.

the firm began with a partnership arrangement, it generally reached a point where one partner or the other was forced out of the firm so that the control of the enterprise remained with a single, unshared person. This concept of control, while not particularly unique to the craftsman-entrepreneur--as will be pointed out in the next chapter--is another indication of the values set toward the removal of any threat to the continuance of his enterprise.

In conclusion, Professor Victor Thompson has characterized the nonbureaucratic enterpriser as follows:

. . .has low powers of abstraction...frequently preferred situations where 'cash talked'. . . could not understand complex impersonal procedures . . . fear. . . the nonpersonalized world. . . world as peopled only with friends and enemies. . . crave. . . immediate and tender responses from everyone. . . is not satisfied with limited number of situations. . . but wants to be the center of attraction everywhere. . . he is likely to believe that the only successful approach is through the personalized route of special favors and bribes or threats. . . is not skillful in taking on the roles of others. . . has an underdeveloped power of investing energy in future objects. . . he tends to lose sight of the organization as an instrument for accomplishing goals, as a structure of instrumental functions and relationships . . .⁹

⁹Victor A. Thompson, Modern Organization (New York: Alfred A. Knopf, 1961), p. 177.

CHAPTER III

THE ORGANIZATION ENTREPRENEUR

Organization Entrepreneur Class 2

This chapter is intended to characterize the organization entrepreneur. Furthermore, it will indicate distinctions between the organizational entrepreneur Class 1 and Class 2 in a manner similar to that used for the craftsman entrepreneur Class 1 and Class 2. The methodology of comparing the development of bureaucratic patterns against the norm established by Richard Hall (discussed in the previous chapter) will also be similar. Interview excerpts from the organizational entrepreneur selection will be used to illustrate typical organizational dimensions in these classes. The only difference noted in this chapter from the previous chapter is that Class 2 organizational entrepreneur will be discussed first, and Class 1 organizational entrepreneur discussed later in the chapter. This is done in order to note the symbolic relationship along the continuum line, ranging from least bureaucratic to most bureaucratic, and to point out that the Class 2 organizational entrepreneur is one in which there is a dilution of bureaucratic intensity to the left of the right-hand polar position.

The five characteristics of the organizational entrepreneur Class 2 are: (1) There is a functional breakdown and specialization of labor as well as of managerial tasks. While it is not very extensive, there is some evidence of staff activity, which includes both some planning and some effort spent on research and development. There are also distinctions

to be made in the area of sales efforts and controllership of the firm.

(2) The firm and the entrepreneur recognize that diversity in skill and product line and customer systems are important. These may not yet be accomplished, or even justified at this point in the development of the firm, but there is considerable effort manifested in that direction.

(3) Records are seen as useful in themselves; however, due to the size of the firm or due to a lack of awareness there is not a high degree of intellectual sophistication regarding records.

(4) There is considerable sovereignty exhibited by the firm, and it is suggested that the firm could even survive the demise of the founder. This is to imply that there is an inherent concept of continuity established in the organizational entrepreneur's firm which is differentiated from the previously discussed firms in which, although it is possible to sell the business, the sale would involve primarily the selling of the physical assets and not of good will. The distinction is made then that the Class 2 organizational entrepreneur does have some "good-will" and an on-going business that is saleable or one which would survive his own demise. Finally,

(5) there is a hierarchical arrangement as well as considerable emphasis on orderliness of relationships, especially important relationships both internal and external to the firm. In this last category, the basic distinction between the Class 2 organizational entrepreneur and the Class 2 craftsman-entrepreneur is a very subtle one in which the elegance of these relationships and their orderliness is seen as more important in the former than in the latter.

Mr. Andrew T. Straight, Straight Manufacturing Company, illustrates the first dimension--that is, that the functional breakdown tends to be

somewhat more elaborate. In his interview he states:

. . . the young girl out there at that desk acts as a typist and also operates the calculator. The young fellow, who is really 41 years old, sitting out there at the other desk, is the secretary-treasurer of the company. He acts in the capacity of accountant-bookkeeper of the company, and he tells me when things are not going right or when I have to bring up some more money. . . My first plant manager was a good man as long as he served the purposes of the company, but I found out that he was quite dishonest and he finally quit and set up his own competing plant which, by the way, went out of business in about a year's time. Ah, fortunately, about a year prior to that time I spotted a young person who seemed to be able to do the job, and put him in as understudy and this fellow learned exceedingly well, even better than the previous experienced guy; and since he has taken over, he has done even better than my previous man. I've also hired several supervisors, inspectors, and a couple of foremen, and all of these people are good, qualified, hard-working kinds of people. We now have about 100 employees. . . last year the plant was unionized by a narrow margin vote by the International Association of Machinists (which, by the way, is the same union that organized Whirlpool plant). There are a number of reasons that the fellows unionized. . . but the main reason was that there was no channel of communication. But even if they are voted out, we will keep many of the provisions that have been set up under the union contract, such as grievance procedure, seniority; and, you know, we are developing an employee newsletter. Mrs. Straight who kept the books the first few years and did some odd jobs around the operation, is now acting in the capacity of personnel director and is promoting this angle very hard. . . As you know, my training has been in industrial engineering so I have been helping out in this capacity, and then Lee and I (Ed.'s note: Lee is the young man who is the current production manager) have been working on this new product development. . . Our product line here is very narrow and there are only about a dozen companies who are large buyers of this particular product, and all but one of those companies is covered by a representative that we have out in the field.

In another interview, Mr. Alex Zenon of Omega Machine Tool Company --a very tall, gracious, distinguished-looking Polish immigrant of many years ago--made the following comments:

. . . A few years ago I hired a general manager.. Prior to that I tried out a couple of them without any experience in the industry and they didn't work out. They would get bogged down in detail and really didn't help me out. I finally was able to hire away this young man from the Aetna Corporation--you know Aetna is a very large machine tool manufacturer and they do buy some component parts from us--well, this man has been our general manager for a couple of years now, and he's relieving me of a great portion of my load. . . . There are seven engineers in the plant, the general manager is an engineer, the three salesmen that we have are engineers and so is the technical service man. We have eight manufacturers agents on the road in exclusive franchise territories covering the United States. We also have a foreign sales broker in New York City. We sell machines all over the country and all over the world; and we do sell equipment to Germany, Japan, Australia, and India--which were some of our recent orders. There are some engineers in designing and the drafting end of it. I generally hire my own men out of the technical and trade schools; you see, I have a brother-in-law who is principal of one of the leading trade schools in Dearborn, and he gets me a great number of referrals, and this works out mutually well; sometimes I do get a trouble-maker in the plant if I make a mistake in hiring, and usually the fellows in the plant will drum this guy out before trouble can erupt into serious proportions. I think I have a very happy and a very good labor force, and I have no complaints about my relationships in this respect. . . . We have about 120 (in our employ) at this time.

The second dimension in which diversity in both skill and product line and the customer distribution is important to the firm--is illustrated by Mr. Alex Zenon again. Omega Machine Tool Company has specialized over the years in high-speed shear cutting machinery. They have developed a complete series of machines for shearing moving steel. The interviewer's comments go as follows:

. . . He then showed us another large example of an invention of his that he had been working on for several years; it has to do with the problem of cutting tubes or squared tubing in formed metal while on a continuous process, and Mr. Zenon indicated that he designed this machine in which the cutter device would move with the continuous movement of the pipe of formed steel through

the machine. He calculated that cutter was so efficient that steel moving at 300 feet per minute will be cut in this machine allowing the die to move only 24 inches to complete the cut . . ."and we're expecting a very large number of orders for this machine. It is our calculation that while the machine costs over \$30,000, a manufacturer who would put this to good use in his process should be able to regain his capital investment in six months' time just from the savings of labor on this particular process."

Another machine showed us by Mr. Zenon, which was undergoing some preliminary tests. . . it was a forged die. . . automated. . . the part moves between the two dies automatically. . . Mr. Zenon stated, "We expect to have considerable sales from this line starting sometime early next year. We already have an order to ship one to Australia."

Mr. Zenon then led us to another portion of the plant . . . where there was a machine that could make from a piece of strip steel a flat nail which could be mounted in the new stapling air-hammer gun, which would have great usage for mass assembly of flooring . . . "this is one of my better designs; notice here inside this handle the movement of the stripped steel through this process which is entirely mechanically controlled except for the electrical on-off mechanism. . ."

Mr. Andrew Straight mentions similar efforts:

We're now working with printed woods and printed compositions and are branching out into wood cabinet items and trying to get to bigger items, particularly those console units which will have some of the same operations that we are currently selling. . . and we're looking around for other things to do. One of these is the possibility of making band instrument cases, and we're now working with some plastic products to refine this particular process. We have several other new products that are on the drawing board. We have tried to expand our line of customers away from VM. As it is now, VM takes only a small portion of our output, and about eight of our customers from about 12 to 13 potential customers are buying portions of our total production. . .

Mr. Joe Wares of the Mid-Central Sandpaper Company was one of the three founders of the company. He described his organization and product diversification program this way:

. . . I'm a technical man. . . based on my experience . . . I designed and built this machine with my own hands; oh, from about 1951 to 1954 I did my major work. A lot of ideas have been patented and we have been able to protect our patents over these years. Since that time I have expanded my staff and now I have a production manager, maintenance manager, a group of technical service people, and a process engineer; these have relieved me of a lot of my day-to-day problems. All of the men that have come with us have come from other sandpaper manufacturing firms--even Norm Smith, the president and the sales manager of the company came from a competitor company. We also have a lab here in which we operate on the basis of applied mathematics, and we have two mathematicians working our staff; one of them is a younger girl who also doubles as my secretary. With this group I have been able to develop an electrostatic machine which with a positive charge on a negatively charged paper and glue would cause the grain or the adhesive compound to adhere to the paper in particular patterns. This has been a very profitable innovation. (My wife, who is an accountant, has helped in keeping the books straight on occasion and in setting up a good accounting system for the company. She has been successful, too, and has added to the success of our firm. . .) They are then stored and later converted to customer's specifications. These conversions take the form of sheets, circles which are die cut to specification, and the endless belt of infinite varieties. We have some twelve thousand regulation, mutations, and permutations of this conversion process. This is carried on in the other part of the plant.

The third dimension of the bureaucratic intensity among Class 2 organizational entrepreneurs is concerned with the areas of record keeping, etc. An illustration of the degree of sophistication in this field is noted in the interview with Mr. Fred Gilbert of Mid-west Refractories Company. This portion of the interview was with Mr. Gilbert, who was the Vice President of Marketing and Administration. Mr. Gilbert told the interviewers that he was 35 years of age, had been educated at the Lawrence Institute of Technology, had worked as a co-op student with Mid-west Company, and that he had been a private manufacturer's representative for about four years for the Mid-west company when he came

into the Mid-West Refractories Company in his present capacity. He has four people working directly for him: an inside sales coordinator, a credit man and general clerk, and two secretaries.

When Mr. Gilbert was asked about the gross sales history of the company, he reached into the credenza behind his desk and pulled out a loose-leaf manual and displayed the profit and loss sheet for each year the company had been in operation up to that time. It showed a general increase, beginning with a \$150,000 gross sales in 1949 and concluding with a one million, seven hundred thousand dollars in 1959.

This company also had three wholly-owned subsidiaries: the Walsh Products Company is the actual fabricator and installer of the refractories; there is also a small wire company which makes specialized enameling wires (which was a technologically-related product developed from some other research this company had been doing), and, finally, there is a small conveyor designing and fabricating company which makes conveyors but primarily does the conveyor fabrication for the refractory units which are sold. Quoting directly from the interviews:

During the course of the interview, Mr. Gilbert showed us the organization charts for the combined operations. . . He also showed us the policy manual and comparative sales figures. . . He also showed us a manual with the tear sheets in which were mounted the advertisements done by the Mid-West Refractories as well as subsidiaries in various trade journals. We noticed one advertisement done on a cooperative basis with the General Electric Company.

The interviews were interrupted three times.

One (interview) was a telephone call. . . from somebody in the company. Mr. Gilbert ended up saying: "That's the policy. I'm on your side, but we have

to adhere to the policy until the policy is changed." The policy referred to was a sales policy in regard to the terms of sale. . .

It is interesting to note two additional items which are characteristic of this class of enterprise. First, Mr. Gilbert, when asked where the President of the Company was at this time, replied,

He is over in England and then he's going to France. . . The company has overseas operations; we used to ship refractories over there but now we have formed an association with firms over there to fabricate ovens for us. . .

The second remark is as follows:

. . . I would like to see the firm purchase a furnace company. We are losing quite a few orders because people do not know the difference between a refractory and a furnace. Refractories actually are built for heat up to 1200 degrees Fahrenheit, and furnaces go much higher. We should buy a small furnace company, one which is not in too good shape, and yet one which we can put into shape so that we can round out our line.

The next interview excerpt, with Mr. Jack Outer of the No-Peer Company, illustrates some further points. Mr. Outer, who was executive vice president as well as secretary-treasurer of the company, was also the administrative officer for this operation. He and Mr. Frank were the two major founders of the company. It should be pointed out that Mr. Frank has four brothers and a brother-in-law who are also members of this corporation; all of them had worked together in a related company previously, except that Mr. Outer had come up through the ranks, through administration and field office supervision, before

he became one of the founders of the No-Peer Company. During the interview Mr. Outer described numerous routine administrative details that he supervised, but then later in the interview he launched into a lengthy description of some financial problems:

. . . You know, financing has been real tough for this company from the very beginning. When we started, we had to borrow money from all of our friends and relatives to meet payrolls and stay in business; during those early times we had been dealing with a local bank for our checking account, and to get some little money to help us out on occasion. But finally, we made a contact through some mutual friends with Mr. Carlyle of the National Bank in Detroit. This guy is the most unusual banker that I've ever met; he took one look at Mr. Frank and the company and what we were trying to do, and he saw to it that we got all the money we needed, and he did this strictly on the basis of his evaluation of our ability to get the job done and make repayments. You know, Mr. Carlyle is the vice president of the National Bank; he's one of the best damn bankers in this area of business in the country, and he's very well respected in this particular area. He is not only good at making these kinds of loans, but he is damned good on making collections, too. This guy was really instrumental in helping us out and moving this company into a good-sized operation. (Editor's note: The company was producing slightly in excess of seven million dollars annual sales.) When we needed a really sizeable sum of money, when we decided to move out here to Novi and build our bigger plant, this guy came through. The other bank we were doing business with couldn't handle the set-up that we needed then, and Carlyle really set us up. . .

The fourth dimension which describes another phase of bureaucracy is that Class 2 organizational entrepreneurs develop firms that have considerable sovereignty, and perhaps one measure of this is the ability of the firm to survive the demise of the founder of of the key figure. An illustration of this dimension comes from the follow-up interview held again with Mr. Outer of the No-Peer Company. Mr. Frank died

approximately ten months after the original interview in that firm. Despite the fact that Mr. Outer is still a minority stockholder and that the majority of ownership now resides with the four remaining brothers and one brother-in-law, he was elected chief executive officer of the firm. It is currently still in business and thriving, approximately one year after the original interview. Although sales were down somewhat, Mr. Outer ascribed this to the fact that "this was seasonal and temporary and that he looked forward to 1962 being a normally good year for the No-Peer Company."

Another illustration comes from Mr. Robert Arnold of the Zip Die Casting Company. Mr. Arnold had sold the Zip Die Casting Company to the Coates and Clark Button and Fastener Company in 1959 for six million dollars. This wholly-owned subsidiary is currently in business. It has been run by Mr. Arnold's younger brother in the intervening time, and at the conclusion of 1964 was selling at the annual gross sales rate in excess of seven and a half million dollars annually. Mr. Arnold has since retired on his capital gains, and is working as a fund raiser for the Lutheran College he could not afford to go to as a student many years earlier.

The fifth and last characterization of the degree of bureaucracy is the hierarchy and the orderliness of relationships which are seen as quite important. The reader's attention is drawn to the previous interviews and he should note the rather extensive functional breakdown in the intervening supervisory and/or managerial personnel designed to govern and coordinate the various activities described in these interviews. It is apparent that considerable concern with hierarchy and, therefore, status and peer-group relationships, exists among these founders and that organizational

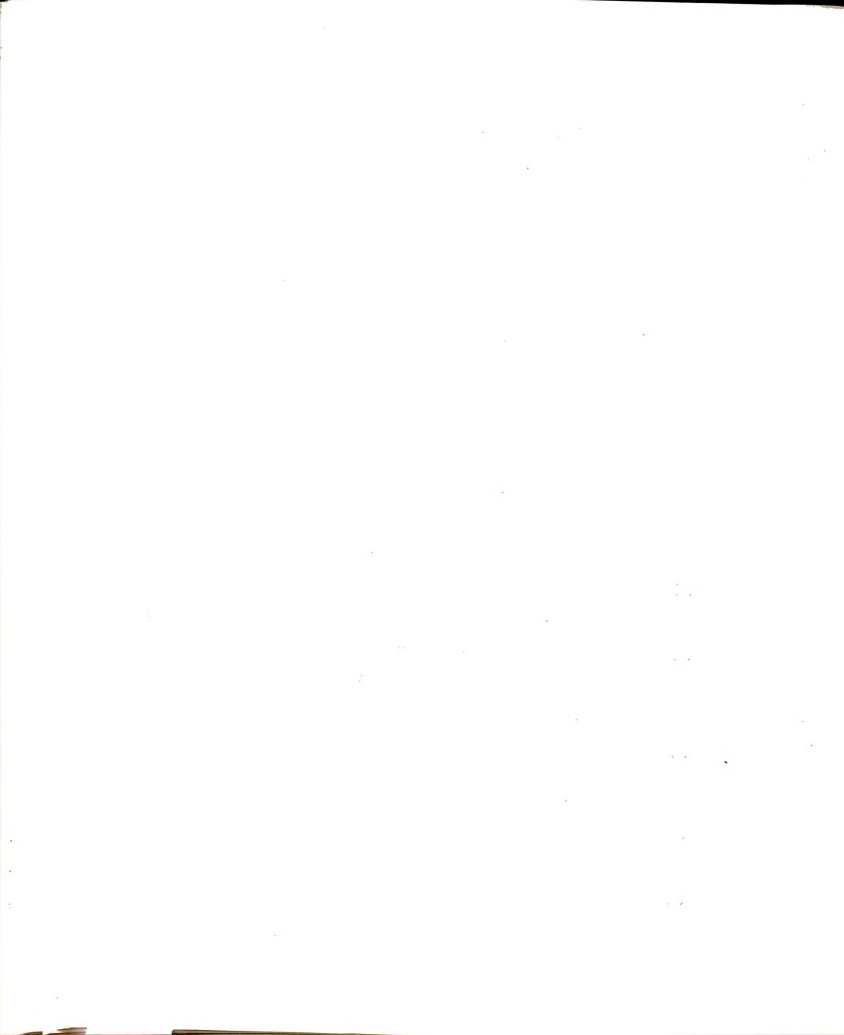
relationships are to some extent manipulated in the abstract, as witnessed by the interview in the Mid-west Refractories Company mentioned under item 3 of this section.

Organizational Entrepreneur Class 1

This final section of Chapter III describes the extensiveness of the bureaucratic mechanisms found in this particular group of organizations studied. It should be pointed out that the extensiveness of bureaucratic mechanisms does not imply that the firm is fraught with red-tape entanglements, lack of action, or ineptness, but rather that it characterizes the zeal and efficiency of a well-governed organization in which objectives and relationships tend to be clearly defined and placed in orderly arrangements. Following once again the five-item listing provided by Richard Hall and described at length in Chapter I, the following characteristics will be analyzed:

- (1) There will be evidence of extensive and elaborated organizational structure based on a high degree of specialization.
- (2) There will be evidence of a well-defined hierarchy which is based not only on important technical competency but also on status and personality characterizations which are deemed important at each level.
- (3) There is a system of rules, procedures, and work flows, and this orderly arrangement extends additionally to the external relationships maintained by the firm.
- (4) There is selection and promotion, and career patterns are based upon technical competence rather than on kinship arrangements or some other device,
- and (5) There is a very high level of sovereignty and sense of independence.

The first characteristic of bureaucratic intensity -- extensive



organizational structure and specialization--is illustrated by the following excerpts. First, consider the statement of Mr. Farrell Pinkerton of the Plastic Trinkets Corporation. This company began with \$12,000 initial investment in 1948 and at the time of the interviews in very early 1961 was grossing approximately nine million dollars a year.

. . . Over the past three years, I felt that this business couldn't last forever, and so I started a Planning Department, and I went around trying to hire certain kinds of creative people into this department. As a result we have gotten into a number of other lines. . . We now have some fourteen products, two of which are patented and about ready to bring into the market. . . Back in our earlier days we had problems trying to make a paint that would adhere to the plastic. I had hired the assistant to Mr. Del Harder at Ford's (Ed. note: Mr. Harder was chief engineer at Ford Motor Company for many years) as our chief engineer here at Plastic Trinkets. You know, this man himself sat down and through some experimentation came up with the one ingredient needed in the paint to make it a successful product. . .

The interviewers were then taken on a tour through the plant and offices.

. . . This is the product planning group which constitutes both the engineering design group and also a creative group which is tinkering with the new ideas and new products to make. . .

Next the interviewers came upon a large room with a complete IBM set-up. He said:

. . . I have an accountant and scheduler who handle the inventory and payroll, and coordinate the other production problems in the company here. . .

Mr. Pinkerton also mentioned that there is a part-time personnel man in the plant who deals primarily with the union:

. . . We hire primarily women for the jobs here, because they're really suited to this kind of meticulous work. . .

When asked about lay-off, he said:

. . . We don't have much of a lay-off problem, mainly because the women don't like to work steadily year around, and anyway it works out very well in the long run. . .

When asked about the union, he said:

. . . Our plant is unionized by an independent company union--which handles the grievance procedure, etc. We have really excellent fringe benefits and we have a large pension program with vested interests. In fact, there are a couple of gals who just quit recently around the age of 45 and who were each able to take about \$1000 out of the pension plan; they actually made money when they quit. And we have completely paid insurance programs and so forth. The union gives us no problems. We lay off according to seniority, and you know it's only the final production assembly process which gets involved with lay-offs; the rest of the plant seems to work year around. . .

Our sales arrangements are set up through eight commissioned salesmen who cover the entire country. There are a few house accounts, primarily the major automotive companies for whom we make the sales promotion toys; these house accounts are handled, oh, usually by me. Now of these eight commissioned salesmen, there are a couple of them that handle our product exclusively, but most of them can't make a living on it; it looks like, though, in the next few years we will have a few more items, but they handle some noncompeting items. The sales to Toy and Hobby Shops particularly is a very intricate and involved process; we have to be able to stock the items and feed-ins, plus handle the mark-up problems and so on, and I think our men are really able to handle the business very well. We know of some competitors who tried to go direct and some who hired salesmen on salary, but it just doesn't work. They make a couple of sales a day and then they get lazy; they never do earn their way. My commissioned salesmen perform best for the company, and I think we will continue that scheme into the future.



When asked about the future both for himself and his company, Mr. Pinkerton responded:

. . . I have a son-in-law who was a World War II submarine officer who got very bored with the submarine operation; he says it's the same thing day in and day out. I went on a submarine with him one time for one day, and we made eleven dives and, you know, once you've made the first dive it becomes a very boring routine operation. Well, my son-in-law finally quit as Lieutenant Commander, and he went to Carnegie Tech. in that new program where they take twenty engineers into a Master of Business Administration program for two years. It's a highly specialized program, and excellent. Well, you know, my son-in-law was quite disappointed with this program; it wasn't really a challenging experience and even though he did graduate number two out of twenty and then got so many fabulous job offers with big companies he didn't know quite what to do; he decided to go with Thompson, Ramo, Wooldridge. Well, I've been talking him into coming in as Executive Vice President of the company, and sometime this year when he winds up his affairs at Thompson, he will join the company and essentially take over the business.

These same dimensions are also illustrated in the interview with Mr. Sam Aaron of the On-Line Instruments Company:

. . . and when we merged and I took over our firms, I wasn't familiar with electronics industries as an engineer; so my first move was to hire an engineer. . . . As the firm grew I had to extend myself by hiring a comptroller who in turn now has a bookkeeper, and now there is also a chief engineer working for Al and a purchasing agent, and so on. . .

Later in the interview he states:

I hire women primarily for this fine assembly work, inserting resistors and so forth into the printed circuits, and these women are highly skilled. . . . (and still later in the interview). . . I still dabble in industrial design work, and I like to feel I have some influence over the design of

the final product or at least in the outside packaging sense of it. . . These catalogs and pictures and layout and copy work, I do this for the firm.

The interview with Mr. Jack Holden of the Die-Electric Company is also revealing of the extensiveness of organizational arrangements. This is a company whose sales totalled 3.8 million in 1961. On the average it had 135 employees during that year. Its stock has been listed on the American Stock Exchange for several years.

. . . We have 12 engineers in Engineering and Research and Development, and I have three sales managers reporting to me. One is a Technical Sales Manager; he handles the technical problems of customers, and he's out on call; he has an assistant. Then there is an Internal Sales Manager; he sees to it that the orders are processed and that follow-up is made here in the shop; and he is also in charge of Training (editor's note: There is a continuous and large training effort on the part of this company to educate customers and users of the Die-Electric machine tools which are highly specialized and intricate pieces of machinery.) And there is an External Sales Manager who has the following regional sales managers reporting to him: one in Los Angeles, one in Cleveland, one in Chicago, one in Philadelphia, and one in New York. And under these field sales managers we have a number of distributors. Our sales manager also handles the distributors here in this area of Detroit. And then we have Bob here, who is Vice President-Treasurer, and is also in charge of Operations here in the plant. Our purchasing man reports directly to Bob . . .

In the area of well-defined hierarchy, the mere fact that numerous people with a high degree of specialized tasks are existing within an enterprise requires coordinative devices to be present. The logic of this system demands that a technical hierarchy be established to coordinate these diverse efforts. However, one significance of hierarchy is the system of status--that is, the respect and prestige that is interchanged in an upward versus downward direction as viewed in the

organization hierarchy. This status can be exemplified also in terms of distance between people who are not acting primarily on the basis of pure relationships, but rather that which manifests itself in terms of supervisor-subordinate styles of relationships. These styles require that certain roles be played by both the superior and the subordinate in the maintenance of this stylized relationship. Some insights into these status rankings may be obtained from the following interview excerpts.

Mr. Fred Green of Green Inter-Lake Lines, a very highly successful entrepreneur, in his rambling second interview stated:

. . . Dalton, you know, used to be the staff assistant to Tex Colbert who was at that time vice president of International Operations and then he went to Ford Motor Company in Canada, and there Dalton made a lot of money on stock manipulation in Ford of Canada, and finally retired and came back to this country; he then wanted to get into some sort of business. Well, about that time I wanted to sell the Chicago-Atlantic Lines which I had developed for packing truckload lots into containers and putting the whole works on board and shipping them off to the East Coast. Well, you know, Dalton paid more money for this thing than he should have, but he didn't ask me about it, so I just went ahead and sold it to him as is. And, you know, Dalton was a real executive. He was bright, shrewd, sharp, but he never got off his ass. I tried to tell him at times that it would be good business for him, with all of his contacts with Ford and Chrysler, to go by and drum up some business. You know, he could walk right into Colbert's office or over to Ford's and go after that business; but he never went out after this business, and in six months he went bankrupt. And d'you think in the process he'd even come over and ask me what I could do to help him out? Not on your life! He never knew anything about the shipping business, and he was finally forced into receivership. You can look out of the window there and you will see some of the containers are still sitting on my dock out there. . .

Another insight can be taken from a very small item that was mentioned during a cordial luncheon the interviewers had with Mr. Holden of the Die-Electric Company and two of his immediate key subordinates. After the group sat down and began their noontime cocktails, Mr. Holden turned to Al and said,

Say, Al, thanks for inviting us over to dinner last week and to see your new home. You know, we had a delightful time and that certainly is a wonderful home you have there.

At this point the interview shifted into a discussion of labor relations in the trade show being entered by the Die-Electric Company.

A fascinatingly insightful statement by Sam Aaron of the On-Line Instruments Company reveals some fundamental motivations on the part of the founder towards entering the business and his subsequent set of relationships with the firm. When the interviewer asked Mr. Aaron why, when he had gotten out of a previous business with a comfortable income from a trust fund, he bothered to^{go} back into business, he made the following statement:

. . . I had not closed my mind to the possibility of reentering the business world in a different capacity, but I had established some criteria which would govern my reentrance. . . . I wanted a business which was in a new and rather dynamic arena; I wanted control of a firm or to get into a firm in which intelligence and sophistication were the criteria of comradeship and working relationships with my fellow employees. This was not the kind of relationships I had had in my retailing business. . .

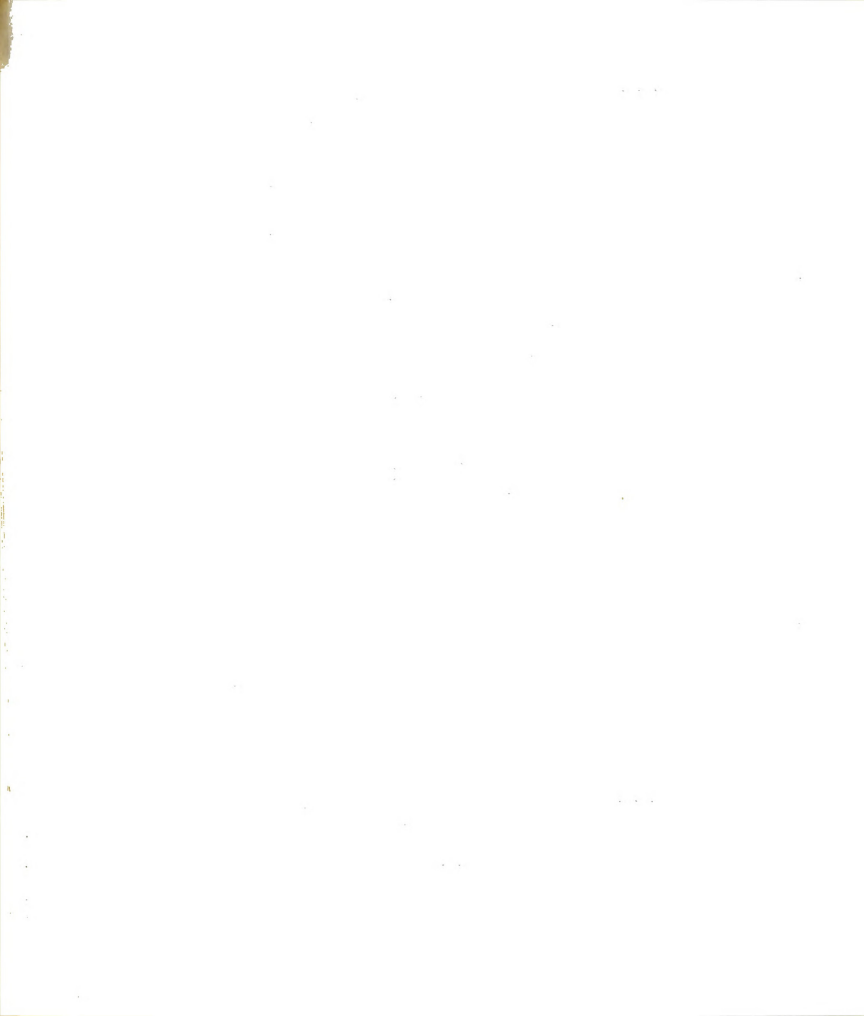
Then later in the interview when Mr. Aaron was discussing the early prospects for his new firm, he stated that:



. . . There were a couple of salesmen I had inherited in the outfit due to the merger, and I didn't quite know what to do with them when we took over. One of these salesmen was fine for the company when we were piddling along at two or three hundred thousand dollars worth of business, but we grew faster as a firm than he did, and, therefore, I had to let him go. In the meanwhile I'd made contact with the management consultant Danto, who knew a man who was the Eastern Regional Sales Manager with the Daystrom Company. The Daystrom Company is a vertically and horizontally integrated electronic and electrical firm, and it was estimated that my prospect was earning about twenty-five to thirty thousand dollars a year. Well, you know, I spent six months attempting to get this man to come with On-Line Instruments. He was a graduate of the University of Michigan and a native of the Detroit area. Well, you know (at this point Mr. Aaron smiled), he finally wound up his affairs with Daystrom and came with us the first of the year. (I had let the other salesman go on the previous quarter, and you know we were really hurting when we let him go, because there was no business coming in at all, and nobody to represent us out in the field), but since the first of the year as this man has taken over (he has all of two months' experience!)--well, this fellow has fitted in beautifully into our picture, both intellectually and business-wise; he has taken over just beautifully. He kind-of gives the impression that he has been with the company all of his life, and he is turning out to be a real asset to the company. . .

The third item which connotes a bureaucratic tendency is the system of rules, procedures, and work flows. In this category a short statement by Mr. Albert Charles of Electronic Controls is useful. The interviews mention that Mr. Charles reached back and picked up a loose-leaf notebook and upon opening it, said,

. . . I am finishing up this employee manual and at this point I am editorializing, and I am trying to lay out as far as I can all the things that are involved with employment here at Electronic Controls. . .



As the interviewers read through the pages noting the topics covered,

we noticed such items as when raises are due, when performance reviews are acted upon, leaves of absences, and how they are granted, seniority list, how seniority was to be determined, where to report for work, how to call in, sick leave, and a great number of other items.

It should be noted that this is a manual for a company currently employing 135 people. Thirteen of them are in the sales department as direct employees; three are in administration under Mr. Albert Charles who is the Vice President for Administration. These include the accountant for the plant, the man who handles production scheduling, and a purchasing agent--the remainder being in the plant and in a non-unionized category. The interviewers also noted later in another interview with the Vice President-Sales Manager,

a similar loose-leaf notebook outlining the sales procedures and policies of the firm with regard to the client and with regard to relationship with the advertising agency.

Another example of careful planning and scheduling within a corporation comes from the interview with Mr. Farrell Pinkerton, Plastic Trinkets Corporation.

. . . Mr. Pinkerton then pointed out during the plant tour, "Our plant was designed by our own planning department and subcontracted by the company itself. It not only resulted in our saving about three hundred thousand dollars of the cost, but it's much more efficient this way, since we know better than anyone else the way our products move through the creative group, through engineering, out onto the plant, and then out of the factory itself.

Item four of the bureaucratic model is selection and promotion based upon technical competence. The reader is asked to review the excerpts made under items 1 and 2 above with the thought in mind that technical competence to the Class 1 organizational entrepreneur, in addition to the technical or skilled aspect of the art of finance, accounting, marketing, production--embraces a further concept of personality, with the following ingredients: a sense of teamwork, a personality outlook which compliments the founder and the remaining members of the team in a highly sophisticated form of aggressiveness and competency, and a demeanor which exemplifies those characteristics considered important by the founder and as expressed by the personality of the firm. Thus, the statements by Sam Aaron regarding his new Sales Manager have broad significance for this form of bureaucracy. In addition, note the statements made by Charles Byrd of Byrd Plastics:

. . . It used to take me a 17- or 18-hour work day to plow through all the data I needed to make a decision. Now I have a financial staff headed by my Financial Vice President who feed me these data. Now I find that I can take a look at the data presented to me, and in five minutes make a decision as to whether to go or not to go. I know in some other plants, even where they have these kinds of data, they mull it over for 48 hours and then aren't really certain of their decisions. . . I selected my Executive Vice President when I found this fellow could think as I do. He's very good at negotiating and has the ability to see the whole chessboard when he is maneuvering. . .

Item five of the bureaucratic model ranges around the notions of firm sovereignty and the dispersement of product lines in rather interesting manners related to a market-oriented concept. Thus, the Die-Electric Company is found to be actively pursuing the expansion in the electrical

mechanical cutting of dies to produce a very wide range of products which can be hammered, stamped, or forged. These end products range from table silverware and other domestic and genteel items, all the way across the spectrum in dies which are used to forge piston rings in large diesel engines. However, in addition to this, the Die-Electric Company is embarked on a massive training program which is designed not only to acquaint an ever-expanding market with the potentials of this type of cutting equipment but also in the training of technical skills and the increasingly sophisticated usages of the present equipment. The President of the Die-Electric Company alluded to the fact that this training not only enhances the sale of the product but in addition results in commitment from the potential user to the Die-Electric's line of equipment. The Plastic Trinkets Company has moved not only to exploit the yearning for the new car item and capitalizing on the intensive advertising surrounding new car models, but in addition has designed and distributed a number of kits used in customizing automobiles, merchandising these customized kits not only through the normal toy-hobby shop channels, but also through the Vocational Training Schools throughout the country. In addition, this company has a large, well-staffed planning department charged with the responsibility for product innovation. The President of this company stated that there were somewhere "between twelve and fourteen new products now on the line and ready to enter the pipeline." Both this company and the Die-Electric Company have issued stock to the public at large, and the stocks are quoted daily on the American Stock Exchange.

The Green Inter-Lake Steamship Lines has a marketing philosophy of "look for the marketing deal and you can always find the money to

execute the deal, and the rest of the firm will adjust to delivering on it." The On-Line Instruments Company is aggressively pursuing a series of diversification moves which utilize the already present capacity for handling certain electronics parts. It is also moving into the field of sound and acoustics measurements as well as into intriguing merchandising techniques whereby the single, most profitable item yet marketed by the firm involves the packaging of several of their own instruments along with a great number of instruments produced by other companies--into one large console. It then programs the entire console with an IBM punch card system, with leads onto the item to be tested and with read-out instructions to the inspector; thus the entire inspection system can be synchronized, based upon the peculiar characteristics of each item to be tested.

As a final example, the Bird Plastics Company has become very profitable in its enterprises by selecting, first of all, products which can be mass produced, and, secondly, developing certain quality performance standards for the use of those items; and then, thirdly, obtaining some form of governmental control which specifies the minimum quality performance characteristics which only their models, at that time, were able to deliver. For example, the firm developed the standardized plastic base for bowling pins, and then proceeded to obtain ABC specifications which only they could supply for a very significant period of time. This same company also moved rapidly into safety belts, and at one time was one of two companies which had the ability to produce the minimum quality standards demanded by legislative action in safety belt performance.

Portrait of the Organizational Entrepreneur

The richness of detail and endeavor of this class of firm founders makes the delineation of a portraiture very cumbersome indeed. This group of men certainly contains the admired qualities expressed by the society in which they exist. In the first place, work is seen not only as an end in itself, but also as a means for bringing together new relationships which are stimulating in themselves. It is a means in which a new thrust into the affairs of men can be carried through to completion.

In this group are founders who sense an inherent orderliness, rationality and perpetuity in their corporate endeavors. They sense that bureaucratic mechanisms are useful, but that care must be exercised lest these mechanisms destroy the very purpose for which they were intended. Thus, the statement made by Pinkerton of the Plastic Trinkets Company:

. . . Creative people are very interesting. You would expect them to be rugged individualists, but I have a couple who aren't. They turn out fine work, but they have to have the feeling of security that somebody will support them in order for them to operate. . .

This statement typifies the notion that the organizational entrepreneur senses that the orchestration of varied efforts and people in an orderly manner leads to corporate success.

Another and key characteristic which is important is the organizational entrepreneur's view of the market place. This view is perhaps best described as one in which the product of his effort is priced in terms of what the market will bear. This notion is in contrast to the craftsman-entrepreneur's operation where costs are estimated and a

standard mark-up is applied. The eminent economic theorist, Joseph Schumpeter stated:

In the second place it should be observed that whatever their nature in other respects, entrepreneurs' gains will practically always bear some relation to monopolistic pricing. Whatever it is that produces these gains, it must of necessity be something that, for the moment at least, competitors cannot parallel, for if they did no surplus over costs (including entrepreneurial wages) could emerge.¹

Typical of the organizational entrepreneur's view of marketing is that he does not desire to make something that everyone else has turned down, nor to be competitively successful. His notion tends to be monopolistic. The organizational entrepreneur eventually ends up in the nucleus of a proprietary product. This product may not be initially monopolistic, but through his endeavors and time, it has achieved a "market" position. In summary, the market position of the firm is derived both from a perception of the human relationship intrinsic to it and from an assimilation of that position into the work system of the company.

There was a noted tolerance for both the worker and his union. In effect, the union was seen as an aid in the predictable behavior of employees as well as the progenitor of orderly change methods. Workers are seen as necessary to the ends of the firm. The statements made previously by Mr. Albert Charles of Electronic Controls and by Andrew Straight of Straight Manufacturing--tend to bear out this point. Noticeable, too, is the fact that there is a much greater tendency for

¹Joseph A. Schumpeter, History of Economic Analysis, (Oxford University Press, 1954), p. 899.

organizational entrepreneurs to hire women workers in the factory area than is done in craftsmen organizations. While this is not an either/or concept, it tends to be indicative of a distinction. Since organization entrepreneur firms develop status distinctions in hierarchy such as greater specialization of tasks, managerial interrelationships "for men only" can be preserved; whereas factory colleague relationships are maintained in craftsmen firms, women cannot be isolated so easily.

It is seen, therefore, that the initial input of personality of the organizational entrepreneur is considerably wider and has many more subtleties. The following two tables showing the father's occupation and the subsequent son's (organizational entrepreneur's) accomplishments are revealing. Especially notable is that, in general, the father's background is not much different in social class standing from the previous tables (Nos. 1 and 2) on the craftsmen entrepreneurs, except for an increase in small business ownership. Of very great significance is the amount of formal and informal education on the part of the sons.

It is interesting to compare and contrast the fathers of the organizational entrepreneurs to the fathers of craftsmen entrepreneurs. It is quite clear that there isn't the chasm of differences that one would expect, especially if one searched after seeing the distinctions between the educational attainment differentials between the two groups of founders. While there is a much higher degree of college graduates (three) among these latter fathers, perhaps the most significant distinction is the large number of small independent business men (seven); (add three if farmers were classed as small business among the fathers). Of high count, too, is the number of immigrants (five) reported among the fathers of organizational entrepreneurs. An equally interesting

TABLE III

FATHERS' OCCUPATIONS

1. Pharmacist; Owned two drugstores
2. Retailer; Owned own store
3. Engineer-Designer (college graduate)
4. Farmer (in Poland)
5. Owner of small patent medicine business (less than 4th grade education)
6. Small manufacturing business owner (in Germany)
7. Small business owner (carpentry); [less than high school education]
8. Semi-skilled electrician (less than 4th grade education)
9. Semi-skilled factory worker; became foreman late in life
10. Unskilled immigrant (from Armenia)
11. (a) Sign painter; postman
(b) Small general store owner
12. Unknown
13. Farmer (in Canada)
14. Architect and artist (with college degree)
15. Saw-mill worker, three-fourth Indian (American)
16. (a) Skilled worker
(b) Farmer
(c) Postman
(d) Butcher in Czechoslovakia
17. White-collar worker

paradox is that the founder who became both the richest from his endeavors and who also had the very largest firm at the time of the interviews, also had come from the farthest in terms of socio-economic advance compared to his father.

In a nationwide representative survey for the United States they report. . . that respondents from low prestige backgrounds who are upwardly mobile, significantly more often have higher 'n' Achievement scores than those who are not upwardly mobile. All the evidence supports the influence that boys with higher 'n' Achievements are apt to be more upwardly mobile in society, particularly if they are at a fairly low socio-economic level to start with.²

However, this paradox breaks down, in that of the next two largest firms (as measured by gross sales) the fathers of the founders had higher level socio-economic attainments than did the next two lowest on the scale.

The data are very similar in cross section to that reported in Lewis in his Louisville Study,³ and particularly Newcomer in her Poughkeepsie Study when she stated:

The number of foreign-born proprietors is out of proportion to the foreign-born in the total population. . . that the foreign-born, with more limited opportunities, still regard this as one of the most promising ways of getting ahead.⁴

²David C. McClelland, op. cit., p. 322.

³Gordon F. Lewis, "A Comparison of Some Aspects of the Backgrounds and Careers of Small Business men and American Business Leaders," American Journal of Sociology (January 1960), pp. 348-355.

⁴Mabel Newcomer, "The Little Businessman: A Study of Business Proprietors in Poughkeepsie, New York," Business History Review, XXXV, No.4 (Harvard School of Business Administration, Winter 1961), p. 477.

The Table (No. IV.) indicating the educational attainment of the son or firm founder is presented on the next page, in the exact order to match the previous table (No. III) of the respective fathers. The level of educational attainment is truly amazing. In a generation when less than five per cent of the population had a college degree, this group shows eight accredited degrees and one nonaccredited. Five of the accredited and the one nonaccredited were in some field of engineering. (No doubt the latter fact was heavily biased because of the sampling procedure for determining successful firms, very many of which were in some form of technical manufacturing.)

Even more astounding is the fact that every founder listed in Table IV had had some sort of managerial experience prior to embarking on his enterprise. Managerial experience is meant to suggest supervising several people in a technical function, in addition to the normal personnel style of a working foreman.

Earlier Work Experience

One of the more unusual earlier work experiences is that of Mr. Farrell Pinkerton of the Plastic Trinkets Company:

. . . My father, with a partner, invented a patent medicine item which was the first hair preparation item for women; he set up manufacturing operations out there and the business was quite successful, but they decided to move it to Detroit. . . was fairly successful, inasmuch as there was a large estate left over when the elder Pinkerton died. It was established by the nearly irrevocable, nonassignable trust fund from which Farrell to this day draws a fairly sizable income. . . My father went as far as the fourth grade in school, but he had a flare for writing and for verbalization. . . He urged me to

TABLE IV

EDUCATION AND TRAINING ATTAINMENT - SONS (Organization Entrepreneurs)

1. B.S.I.E. plus five years managerial experience
2. High school, plus 22 years retail store owner
3. B.S.M.E.
4. Three years engineering school, plus engineering supervisor
5. Ll.B., plus twenty years practice
6. High school, plus consultant, plus general managerial experience
7. Two years college, plus managerial experience
8. Fourth grade, plus Great Lakes pilot license
9. B.S.M.E., plus managerial experience'
10. High school, plus I.C.S., plus managerial experience
11. (a) B.S., Ch.E., plus two years Law School, plus managerial experience
(b) A.B., plus sales management experience
12. (Interviewee not firm founder) B.S., plus four years managerial ex-
perience
13. High school, plus night school, plus managerial experience
14. B.S.F.A., plus 10 years managerial experience
15. Completed Corporation Tech. school (B.S.Engineer equivalent),
plus managerial experience
16. (a) Three years engineering college, plus managerial experience
(b) B.S., E.E.
(c) Two years college (this person acquired 30 patents in Electronics)
(d) Two years Engineering College, plus extras, plus four years
managerial experience
17. Three years law school (after A.B.) plus managerial experience

take up the law. I had never been keen on it, but my father insisted, so I went to law school after I graduated from high school in Detroit, and I went on to the University of Michigan where I completed my law degree and passed the bar exam. I worked as a law consultant at the Trust Company, and I actually wrote a book on probate law for the company, despite the fact that my fundamental interest isn't the law. . . . After about 20 years of private practice, I had learned to specialize in Wills and Probate Law, including arguing cases in court. . . . I handled the wills in probate for Mr. Bennett and a number of other Ford executives, as well as some people over at Briggs Manufacturing Company.

These contacts were vitally important, inasmuch as later in the interview Mr. Pinkerton said he used these contacts to get the initial start in selling his products in the Plastic Trinkets Company.

Another type of work experience is described by Mr. Sam Aaron:

I left and went to Chicago to study at the Art Institute which was affiliated with the University of Chicago. My father died shortly after that, but the art work that I did was very interesting, and I thoroughly enjoyed every aspect of it, although I had my own emotional ups and downs. I was required to go over to the University of Chicago campus to take the academics, but that was just like going over to another campus. . . . After I graduated I got a job doing art and design work for an advertising agent, but it didn't go so well, so I came to Detroit where I got a job with Bair and Company where I did copy writing and advertising art and layout work. I was married in 1939, and in 1941 I was second in command of this department. Since my boss was going to retire in a few years, I thought I'd better get my military service out of the way. . . . Discharged in November, 1945. . . . I was invited to go back. . . . but I had had enough of that. My wife came from a family which had operating control of the Highland Department Store Company. I decided to go with them, where I worked at a great number of jobs; I was general manager when I finally decided to quit. . . .

Then there is the story of Mr. Albert Charles who began work at Buick in 1936 as a junior engineer and who quit (because he wasn't given any engineering tasks) in order to go to the A. C. Spark Plug Company

where he stayed until 1946. He then went with Good-Electronics:

This firm is in the resistance welding and control mechanisms field, and after about twenty months with the firm the following affair took place:

I had been commuting daily from Flint to the Good-Electronics firm (oh, I'd drive about 120 miles a day) when I finally decided to get married and settle down. I found shortly that this commuting problem was more than I could stand, so I decided to buy a house in the north end of Detroit, a duplex. The reason I bought that, I was worried that if I couldn't continue to make payments, the other half would cover the major burden of my housing expense. Well, I was happily married and, you know, on Christmas morning of 1947 I received a letter in the mail from the owner and manager of the Good-Electronics Company. I signed for the letter and upon tearing it open, found that it was a dismissal notice and enclosed was a check for one month's salary and a note stating that my services were no longer needed. How about that for a Christmas present! Later on that same day, I found that my very close friend, Charles Campbell who at that time was Sales Manager at Good-Electronics and who also came from Flint, gave me a call; he had gotten a similar letter!

The interesting point noted in the early work experiences of the organization entrepreneur is the relative stability of job-holding mentioned in the interviews. Only two mentions of firing were made--the two Charles' in the Electronic Controls Company and Fred Green of the Green Inter-Lake Steamship Lines. In the latter case, discharge immediately prior to the founding of his firm was not a factor. The interviews do not reveal any tension of the type mentioned in the craftsmen entrepreneur interviews. Only one mention is made about the lack of formal education as an inhibiting factor. A more typical motivation seems to be similar to that of Charles Byrd, founder and president of the Byrd Industries and Plastics Company.



. . . One of my intentions with Chrysler was to learn everything I could about big business and how it operates and how it runs. This was my whole idea with Chrysler during the whole time I was with them. . . I had every intention of getting away from Chrysler and striking out on my own. I lived very frugally during my stay and in 1945 I left Chrysler, having saved up \$7,000. At the time I left I had determined several things: one was the pent-up demand, particularly for automobiles. Another thing I noticed was, in several of the studies that I did while at Chrysler, the operation of the dealership; I got some ideas on how a dealership should be run. Another study I had done involved spark plugs that were then installed in the six-cylinder engines. I found that Chrysler had to purchase twelve spark plugs for every six that were finally installed in the engine, and I think this was due to the fact that being such a large organization they lost control over these factors; I determined at that time that when I got into my own operations, I would so control it that these kinds of cost factors would not affect me. . . When I left Chrysler I was able to obtain a franchise for a dealership in the Detroit area . . . I spent the first year getting the business established and going . . . so when automobiles started to sell, my service department paid the entire overhead of the dealership.

The Idea of Starting a Business

Mr. Farrell Pinkerton says,

. . . As a result of these probating operations, I got involved with this person in financing his research on a . . . die . . . I had about two thousand dollars of my personal money. . . I ended up the owner of this process. . . I had no idea. . . all set to junk the whole affair. . . I was driving down. . . in front of . . . when I got the idea.

Mr. Jack Holden tells another story:

. . . I worked in Detroit until my discharge. I was dealing with all of the top people in industry, and, in looking back on this, it couldn't have been better training if I had tried, because I got to know the top

people in the industry--people that it would have taken me twenty years to meet. It was here in Detroit. . . that I met Mr. McElvenny who was the inventor of the process currently used by the Die-Electric Company. . . On this operation in Cleveland, I didn't know a thing about the business. I hadn't sold a thing in my life before, and I didn't know how to find where the firms were. So I went down and talked to a man at the Chamber of Commerce and this fellow at the Chamber said, "I can't spend much time with you now, but I do know a lot of people in town, and if you have any trouble just give me a call."

Mr. Holden then went on to state,

this is an example of making friends. Up until a few months ago when this fellow died, he'd been a real close friend of us here all these years. . .

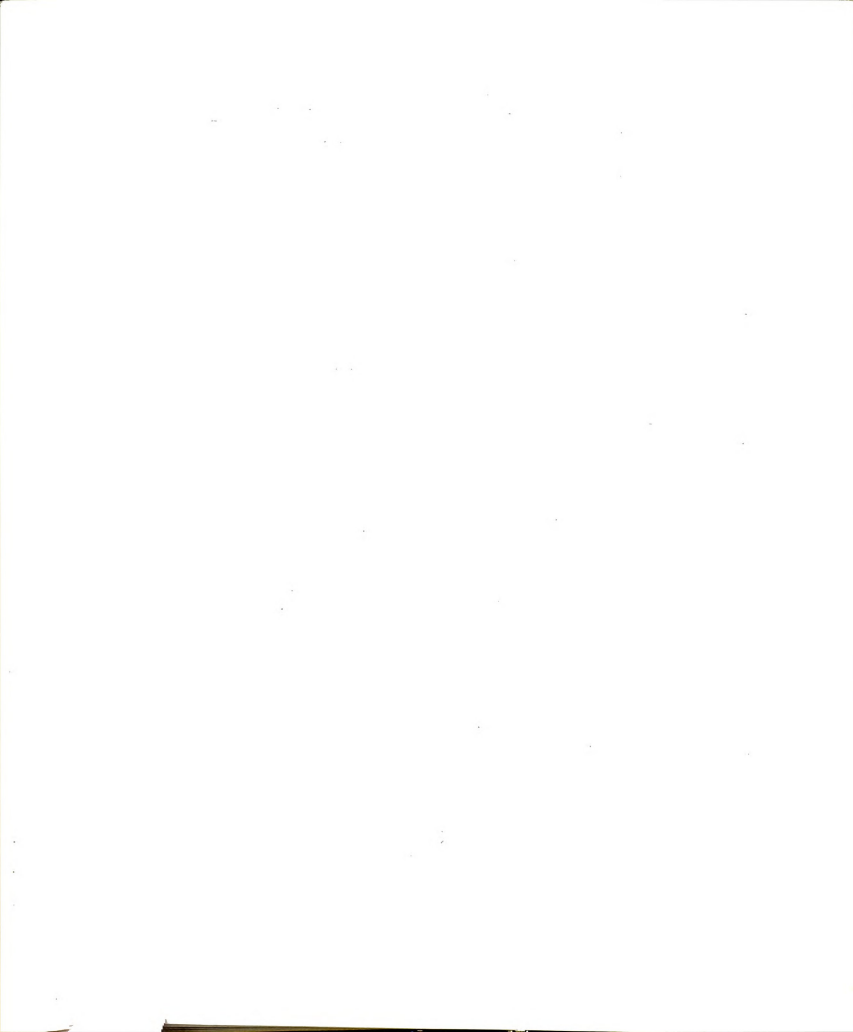
Mr. Jack Outer, who later took over the No-Peer Company stated:

. . . I quit D 'n' A in 1944 and went with Kinzel Construction Company as an office manager in one of the field offices. It was a large competitor of D 'n' A. I stayed with them until 1947 when Mr. Frank offered me the proposition of putting in some money to start a firm. Organizationally he had in mind I'd handle the office while Mr. Frank handled the operations. There were six of us, four brothers, a brother-in-law, and myself, and in time the jobs became slotted.

And, further,

We started out with some twenty-thousand dollars among the six of us, with Mr. Frank holding about fifty-six per cent. We started in the industrial construction business because we were very familiar with the steel erection end of it. The firm had its problems, but it moved along fairly well. In 1951 we bid on a contract with A.C. Spark Plug in which we promised delivery and erection of a new plant in eight months. Other construction firms were also busy (Korean War) and their bids had much longer delivery dates.

And again,



Mr. Frank had known some people there, and this contact helped. A.C. was very helpful in giving us some advance money and paying for work immediately. As time went on, it was my constant suggestion to Mr. Frank that the steel fabrication and erection work was far more profitable than general contracting.

Preparatory Steps and Initial Capitalization

One major distinction between types of entrepreneurs lies in their outlook on how to go about starting into business. Whereas the craftsmen entrepreneurs have a very strong inclination to locate a plant and install machinery and fixtures, the organizational firm founder counterpart starts with the sales of an idea, the development of a commitment, and then he uses that commitment in order to factor it into reality. Note the previous interview of Mr. Charles Byrd and his approach to this automobile dealership. Note also the following excerpts, first from Farrell Pinkerton:

I suddenly saw a way to use it to make a plastic toy, with the idea of selling it to the Ford Motor Company for a promotional stunt. So I called the junkman off and proceeded to have a steel scale model toy made of this little ornament, about eight inches in diameter. In a couple of weeks I had one made, and decided to go over to the Ford Motor Company.

Out at the Ford Motor Company I went to the Sales Promotion Manager; at this time there was a new one because that was when Henry Ford II had taken over. . . . So I walked in the office of this man; I was quite familiar with these people at Ford because of my previous relations with them through . . . I showed this thing to the Sales Promotion Manager and it immediately caught his eye. He walked around it and looked at it and at this point he was completely sold on it; then he said, "Well, gee, I don't know what we can do with this; maybe you should take it down to our man who has direct relations with the dealer." So we were walking down the hall, and Mr. . . . who was then Vice President and General Manager for sales for Ford came out of the office and we stopped to talk to him for a minute; he took a look at this ornament and invited me into his office. And it turns out that he is completely sold on it, too.

But he had no interest in making these, so I told him that I had no interest in making them, either. I just wanted to sell this gimmick to the Ford Motor Company for a couple of bucks and be done with the whole affair. Well, at that time a Mr..... who had the largest string of Ford dealerships throughout the country was sitting in the anteroom of Mr....'s office and had seen me walk into his office with the ornament. Next thing you know, he put his head in the door, and said, "Say, that's a real interesting gimmick; I'll take 250 of these." Well, I tried to interest Ford in making them or doing something with it, but they didn't have any way of handling this affair. Mr..... kept pushing me to go into the business to make these for Ford, even though I stated that I had no interest in it. Then I made some quick calculations and said: "Look, if I can have a firm guarantee of an order for 500 of these, I'll see to it that they'll be made." Mr..... said that Ford wasn't in the business of guaranteeing anything for anybody, but just then he had a quick change of heart and he personally guaranteed the additional 250 units for me, and actually wrote a letter to that effect. And with that letter I went out and obtained enough finance to subcontract the work out. And we eventually sold three or four thousand of these units at a very handsome profit, something like 150% on each unit.

Then later Mr. Pinkerton went back to the Ford Motor Company, and said:

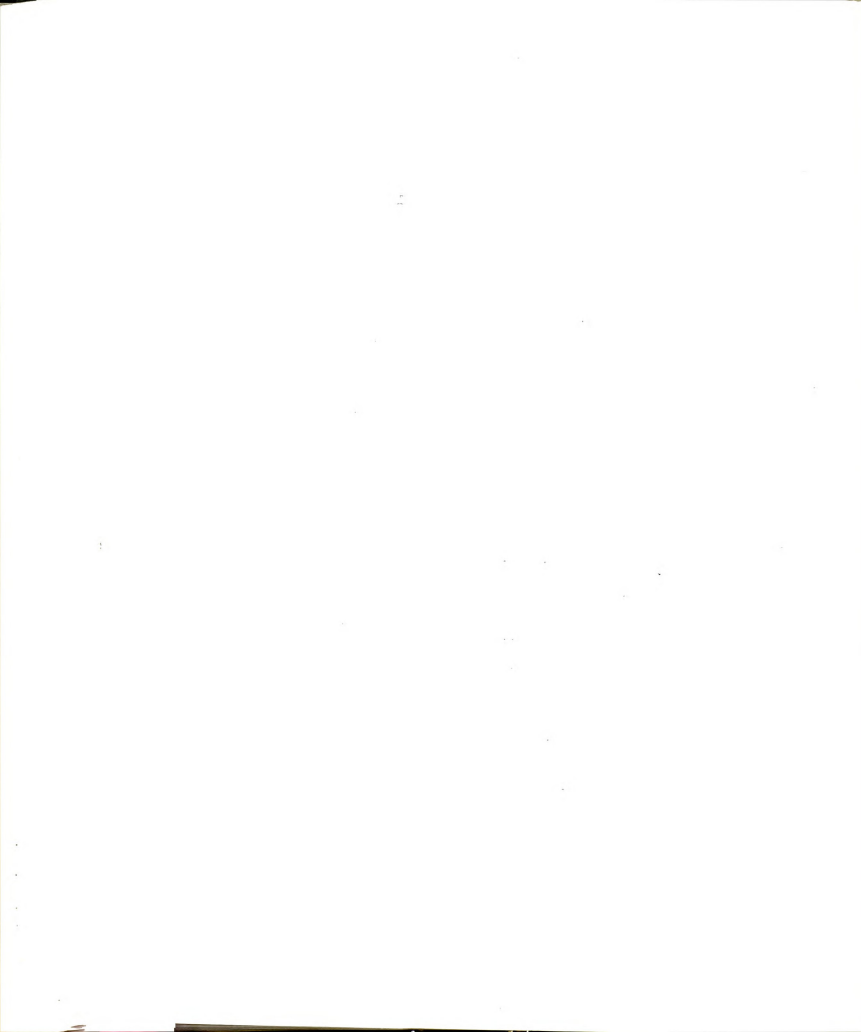
If you can give me your drawings, I could have these models made up for gimmicks on Introduction Day. Why, they even so constructed their purchase of parts that each little tool and designing shop and fabrications shop that supplied Ford would be given only a small part of the total model so that no one of them could see the complete design of the Ford car prior to Introduction Day. Well, anyway, through a series of contacts, particularly with . . . I was able to obtain the drawings of the new models, the 1949 model which was a very dramatic change for Ford--and only on the basis that I'd put up a personal bond for \$10,000 that this model would not be exposed to the public before Introduction Day. I suppose that \$10,000 in Ford's terms wasn't very much money, not much of a guarantee, but they must have figured that \$10,000 to me was a great amount.

And, further,

I decided that my model cars should have nationwide

distribution and I needed to contact the toy buyers of the four largest department stores in the country. Now getting next to these toy buyers is a very interesting experience. I traveled to Macy's, Gimbel's, Hudson's, and Marshall Field's, and I got the story from all of them and it was the same--that they were very conservative and, at most, reluctant. Well, Hudson's placed an order for five dozen of these cars, but then I flew down to see if the Buyer at Macy's and also at Gimbel's had reconsidered, as I figured the whole thing was a fizzle. At any rate, when I got down to Gimbel's I mentioned to them, after showing them the prototype, that I could ship them the new model car on the day of introduction of the new models. The toy buyer went out for a moment and then came back with a little wooden automobile, and he said, "What do you think of this?" and I said, "I wouldn't give you a dime for that piece of junk," and the buyer said, "I thought the same thing all along; it's a cruddy-looking thing and I wouldn't give a damn for it--but, you know, this is one of the largest selling items we've got. I've been stung so many times from these wrong decisions, I can't possibly give you a bigger order than that until we see what's really taking place."

At any rate, I came back to Detroit in a real dejected mood. I moped around for a couple of days and finally I made up my mind. I called Bernard Gimbel on the phone directly. I told Bernard Gimbel my problem; I described the car to him; I mentioned the story that I had gotten from the buyer. Mr. Gimbel told me to come down to New York a couple of weeks later and he would see me at that time. Well, I went down a couple of weeks later, and in this meeting Mr. Gimbel had the presidents of all of the other Gimbel operations in New York, Philadelphia, Chicago, Milwaukee--they were all there, including their chief buyers; in fact, Mr. Gimbel told me that this was the first time in the history of the company that all of the presidents were brought together on a toy-buying meeting. And they looked at my models that I had brought with me, and immediately placed an order for five thousand of these cars. At any rate, I came home in business with a purchase order, and this is when I went into production, and on Introduction Day of the new cars, we were really in business. When a buying service for most of the commodities in New York City which keeps track of sales of certain items reported that this item was a really hot thing, within weeks I had orders for a million of these cars. I couldn't deliver them, but by working day and night we finally got them out.



Another interview, with Mr. William Penna, founder of Five Machines Company, further illustrates this kind of action. He asserted:

. . . Finally in 1953 we were forming the company through a merger with a plastics company. I said, we won't have space enough, but we have to get started. My thinking throughout is--"In order to get big--you have to have big business. In order to have big business, you have to have plenty of space to put your machines and tools and room to operate in." So at this time we spotted a plant which is currently across the street. We got an agreement from the landlord to move the plastics company in, and then the machine and tool company alongside of them. But we were small, only a few employees, so we put in a lot of workbenches and tools, and I told my men to look busy whenever I brought anyone in. I showed the purchasing agent from Ford in, and he was very much impressed with our size so we got some good-size business from them. We outgrêw the plant within a year. . . In the early stages we had considerable financial problems. The banks wouldn't lend money because there was nothing to lend against. As a result we had to go to the Telkon Corporation which is a lending institution for exactly these kinds of problems. Telkon arranged to give us money against our receivables at 18% interest. Hell, we can make 10% on that, so we took it.
. . .

Fred Green, founder of Green Inter-Lake Steamship Lines concludes with the most succinct statement:

In my mind the first input requires is sales; from sales stems everything else. Once you get the sales you can always find somebody who will finance it. If you have the money, you can always hire people as operators to do what is necessary on the project.

From these interview excerpts, the distinctions between craftsmen entrepreneurs and organization entrepreneurs are further clarified. The early sales contacts are not only essential at the start of the firm, but they also quite faithfully reflect the backgrounds of the entrepreneurs.



Where the craftsman entrepreneur has had limited social experience and his work experience has been in the fabrication or manufacturer of material items (and even his parental background has been from the same milieu), his primary focus is to have a productive capacity before he makes his initial major contact. From the interviews it seems that it is very helpful for the entrepreneur to have had either direct sales experience, such as in small business, or that he was brought up in an environment where on-going human relationships do exist, such as in managerial occupation. Craftsmen entrepreneurs relied heavily on some personal contacts to wend their way through the maze of the first contract (indicating the need for structure), in contrast to his counterpart who developed his own structure as he progressed.

It was interesting to note in a number of the smaller craftsmen shops the display board which collected each item (for example, a small stamped automotive part) and mounted them in a progressive pattern from smallest to largest and, therefore, from least profitable to most profitable, (as thought, at least by the entrepreneur). It was as if the new small company, like an incipient bureaucracy, started on a career of learning and progression by beginning with the small and insignificant, and progressing to larger, more responsible status. And to repeat a previous remark, the craftsmen's organization most nearly reflects the values of a department of an existing large-scale firm rather than being an independent entity. Even in his sales efforts, the need for structure is so strong that the craftsman entrepreneur is typified by the comment of Mr. Fred Just: "Just give me a job, and I'll get it done." This contrasted to another type of comment made by Charles Byrd:

My theory about the sporting goods business is that I have surveyed the data and information which were available, and I felt that the population would have considerably more leisure time to spend as well as pent-up income to spend on these interests. I was able to dovetail these interests. . . I eventually devised a base for bowling pins. . . and got the ABC to specify them. . . I made close to 90% of these plastic bases. . .

The concluding distinction of the organizational entrepreneur is the nature of the firm which ensues. Administration is concerned with relationships and coordination. It is concerned, too, with problem solving and action. The organization entrepreneur, in response to his training and background, notes that "his" firm needs to have particular responsibilities assigned and distinguished from the other mainstreams of activity. Since he sees his firm as a sovereign entity, he proceeds to establish functions within the firm that the craftsman entrepreneur either does not perceive or not perceive the need to implement them. According to Costello and Zalkind:

A relevant law that needs citing at this point is March and Simon's formulation of "Gresham's Law" of planning. When a person can choose between routine tasks and problem-solving effort, he will tend to give his time to the routine. On this basis, they suggest that if inventiveness is to be built into an organization, special departments must be set up in which the members are prohibited from performing routine tasks and rewarded only for problem-solving and inventive activities.⁵

Some people are better problem solvers than others; not only because of specialized abilities and the background of knowledge, but also because of personality characteristics and habits of thinking and working that

⁵Timothy W. Costello and Sheldon S. Zalkind, Psychology in Administration: A Research Orientation (Englewood Cliffs: Prentice-Hall, 1963), p. 373.

favor effective problem solving. . . The following personality and motivational characteristics have been identified as favoring effective problem solving: high achievement needs; a tolerance of ambiguity and uncertainties; flexibility; habits of searching and exploration; and freedom from conventionalized attitudes in the area of the problem. . .⁶

A useful summary for a portrait of the organizational entrepreneur is provided by Professor William E. Henry. His comment may be compared with the comment made by Professor Victor Thompson (on page 60 of this thesis).⁷

On the basis of his study William E. Henry was able to identify several personality characteristics that seemed to distinguish the successful from the unsuccessful executive. Among the traits that he found commonly characteristic of the successful executive and absent in the personalities of the failures were: strong achievement drives, a strong need for upward mobility, comfortable adjustment to authority and authority figures, high organizational abilities, decisiveness, a well-developed sense of self-identity, sensitivity to reality and its limitations, a high degree of activity in striving, a sense of identification and responsiveness to superiors, and strongly objective, detached ways of considering subordinates.

In addition, and of particular significance for our present discussion, the successful men exhibited a sense of dependency upon the policy and organizational framework of the company. . . .⁸

⁶Ibid., p. 385.

⁷Thompson, Modern Organization, op. cit., p. 177.

⁸Costello and Zalkind, op. cit., p. 157.

CHAPTER IV

FURTHER COMPARISONS

The previous chapters made a direct comparison of the social backgrounds of firm founders and the degree of bureaucratic intensity they exhibited in their own enterprises. This chapter will make some further comparisons which are not so directly pertinent but nevertheless have impact on the nature of the organizational patterns in these enterprise units. The primary focus of attention in this section is the ability of the entrepreneur to perceive time, to sense the nature of the flow of events as they affect his firm, and to suppress anxiety sufficiently to permit future objectives to take place.

The unfolding of events, the emergence of new institutions, the displacement of the old, the growth and divisionalization of existing organizations, the life-cycle of humans--all imply the passage of time. It is argued that time is another factor in the unfolding of events; it is an abstraction, a measurement, intangible, and yet a perceivable derivative. In our culture, time is a spatialized continuum and linear.

Time Perspective

An event occurs "in time." It comes into being, along with other events, is shaped somewhat by tradition, develops, actualizes, and finally passes into the past. The influence of the individual on this event

may be considerable, or it may be negligible.¹ If it is considerable, the individual may be referred to as the entrepreneur of the event. He has undertaken the propelling of the event, even though he did not conceive it. One can theorize that in a high state of bureaucratization, the influence of the individual may be held negligible, and the flow of events is inevitable.

The actor in the event--the entrepreneur, the decision-maker and impeller--is one who senses or perceives opportunity. He sees the possibility of either bringing together or the resolving of alternate actions and thus bringing the situation into the realm of concreteness, of solid and easily perceivable existence. His choice of alternatives and endeavors and commitments is based upon their anticipated consequences.

The actor projects himself into the future (time) when the event is "completed" and reconstructs the intervening events which will bring forth his projection. The actor's ability thus to project into the future, as well as his ability to perceive the steps and alternatives he must shape to bring about his anticipated consequences--are then obviously based upon his own "knowledge" and his personal set of experiences which constitute his operating characteristics.

Two dimensions are operating: first, how far into the future the actor can project himself, and, secondly, the administrative ability of the actor to perceive correctly and control all of the sub-events leading to his goal. Obviously, this is an oversimplification, in that it does not account for external, unforeseen events, nor does it account for the

¹Norman H. Martin, Differential Decision Situation in an Industrial Plant Management (Chicago: University of Chicago, 1954 [unpublished Ph.D. thesis], especially Chapter III.

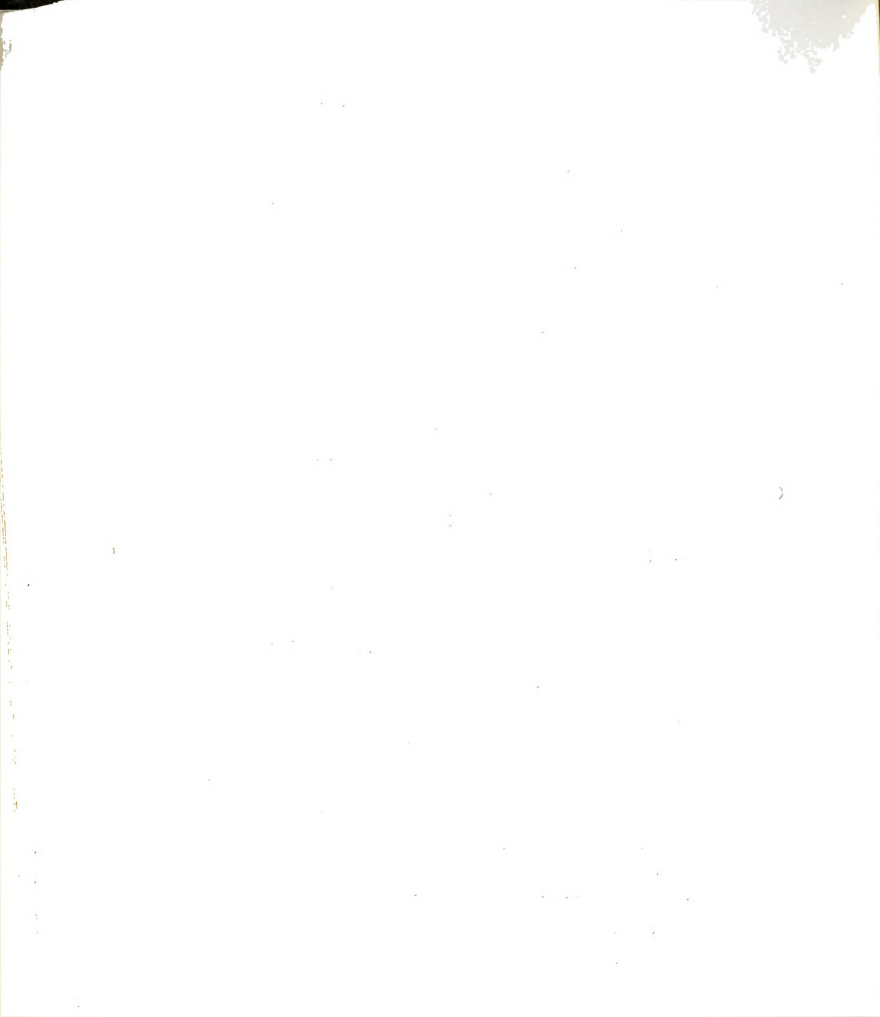


motivation or tenacity that an actor holds for his goal(s). Both of these items may indicate how far into the future an actor will project himself; not how far he can. Nevertheless, it is argued that the set of life experiences shapes one's ability to project into the future, and the craftsmen entrepreneurs project into the future differently from the organizational entrepreneurs.

Inherent in the second dimension is the degree of structure present in the perception of the event. The assumptions of the degree of structure present are unmanageable, although Guilford² and others are making heroic attempts in their investigations. There is the assumption that a high degree of structure exists in which (1) most of the significant elements and their relationships are seen by the actor; (2) the existing (present) situation demands action; (3) alternative courses of action may be ruled out or easily rationalized; and (4) the time zone into the future is short. (Shortness is subjective; as long as the actor perceives this particular zone as short, he will act on that basis.)

The craftsman entrepreneur tends to have shorter run perceptions and seems limited to "model run" or "program" length. These are quite highly structured time notions. The organizational entrepreneur, on the other hand, is more easily able to discuss perpetuity of the firm in terms of managerial specialties and cost accounting, product planning over the long run, diversity of effort designed to ensure progress and stability. All these latter are less structured and even their short-run objectives tend to have long-run implications.

²P. R. Merrifield, J. P. Guilford, C. R. Christensen, and J. W. Frick, "The Role of Intellectual Factors in Problem Solving," Psychological Monographs (1962), LXXVI, No. 10.



Events projected into the future can be classified into a continuum of concrete and abstract. Concrete is the here and now, easily perceived, easily touched, enduring, complete. Abstractness is derivative, incomplete and not easily translated to concrete experience.

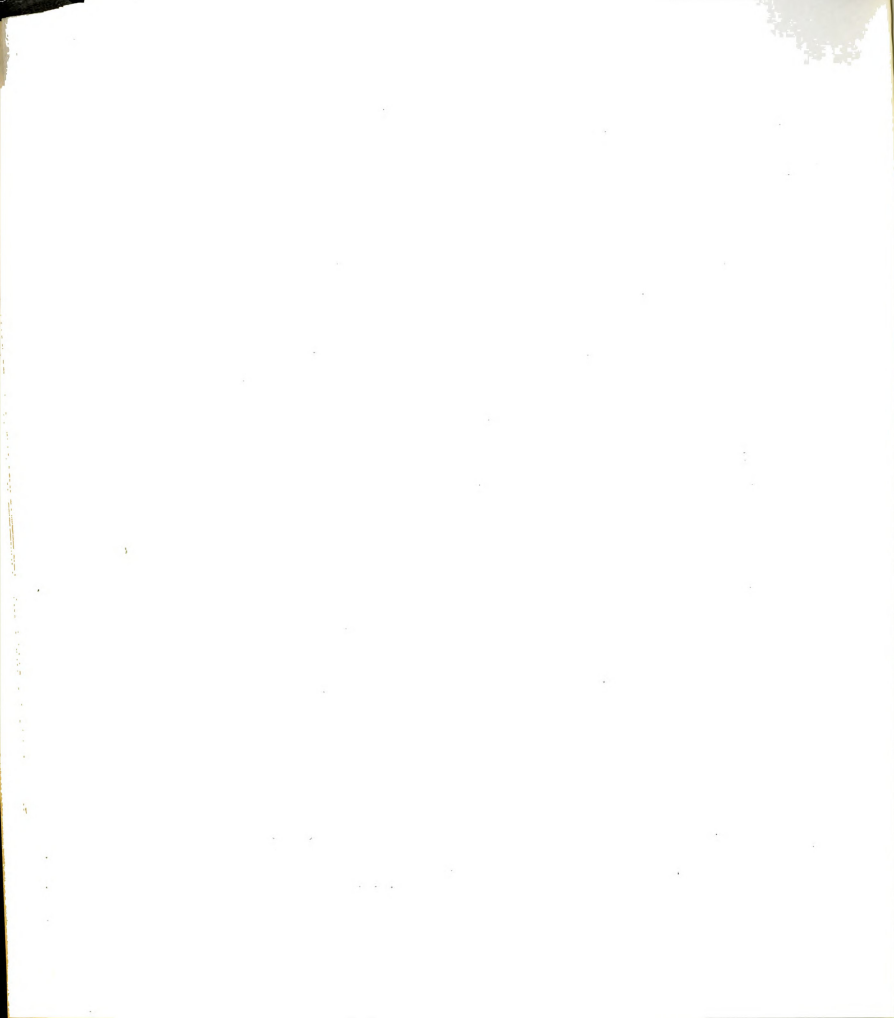
It is asserted that craftsmen entrepreneurs, because their world of experience is somewhat limited to the concrete, operate in a more solid state of projection. They perceive their occupation in terms of machinery, solid product, and the solving of mechanical problems. Their relationships are one for one--"I do my work now; you pay me now."

There have been a few studies attempting to relate time perspective to human psychological dimensions. Following are some relevant excerpts; however, these do not separate human types, except those with high 'n' Achievement, and those without. It is suggested, therefore, and somewhat tenuously, that craftsmen entrepreneurs have lower 'n' Achievement scores than do their organizational entrepreneur counterparts. According to McClelland,

In other words, the more unknown the situation which demands their achievement, the more self-confident they are as contrasted with the subjects with low 'n' Achievement. But as reality cues become available, they tend to face their judgment on these cues. They are not "impractical dreamers" overestimating their chances of success at everything; instead they rely on facts so far as they are available, and they fall back on generalized self-confidence. In this respect they are behaving just the way Sloan and Dupont behave, at least as Sloan perceived the situation.³

An independent set of studies by Rickson Epley (1960) has demonstrated that subjects with high 'n' Achievement also have a longer time perspective on the future in the imaginative stories they write. . . . One part

³David C. McClelland, op. cit., p. 233.



of the scoring definition of 'n' Achievement refers to "long-term involvement" in the situations described in the stories in which an individual is involved over a long period of time in achieving some occupational goal. . . . The longer forward-time perspective of individuals with high 'n' Achievement may be in part the explanation for their superior ability to delay gratification. . . .⁴

In other words, subjects normally high in 'n' Achievement (those middle-class) were not influenced by the introduction of a \$10 prize, but those normally low in 'n' Achievement (those from the working classes) were definitely influenced by the introduction of such an award. All three studies point to the same conclusion: people with high 'n' Achievement are not influenced much by money rewards; they are interested in achievement. People with low 'n' Achievement, on the other hand, are influenced by money and can be made to work harder for money or other such external incentives.⁵

For the individuals with high 'n' Achievement, time is almost literally moving faster. They are, so to speak, always a little "ahead of themselves."⁶

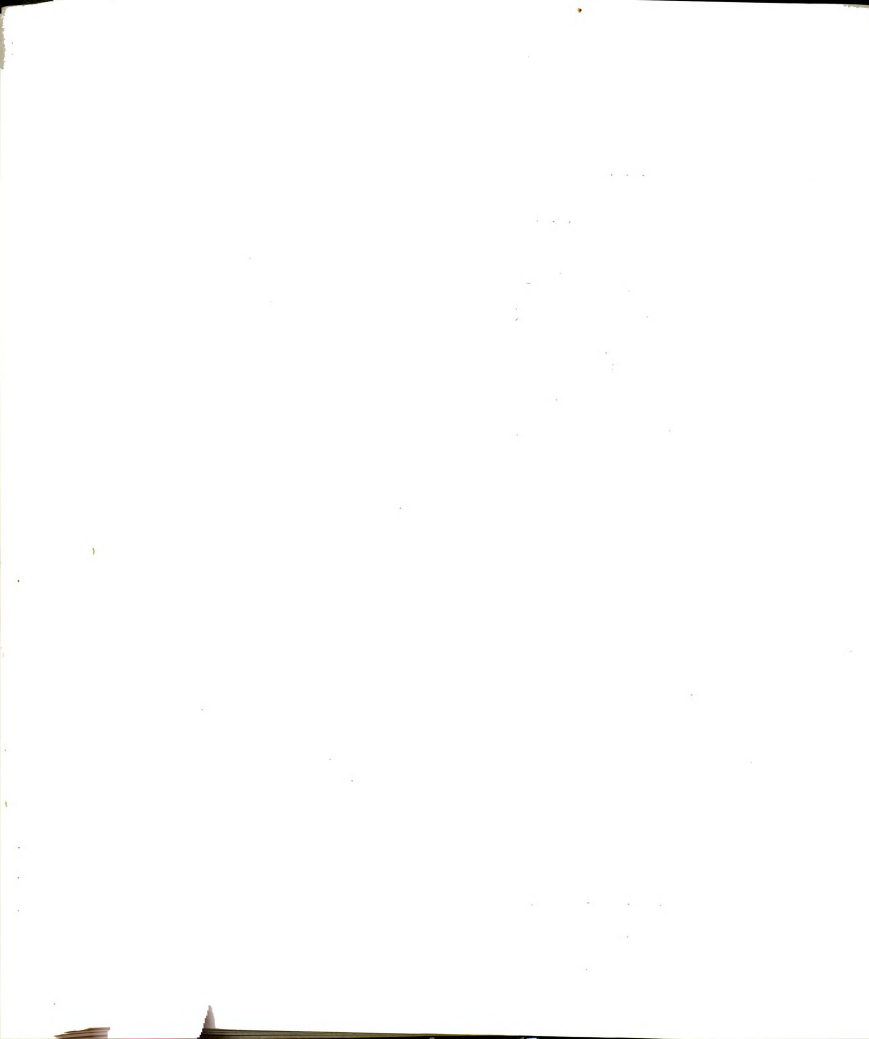
Time and Survival

There is a second nature to the problem of firm analysis in a time spectrum. A firm is understood to be a firm when it has demonstrated survival. There are innumerable incidents which manifest or cloud this survival notion, and this notion exists in the perceptions of mankind. If the firm is a fast-growing one, it may display its survival ability in many ways; however, not in the realm of profits. Rapid growth may be a substitute for time. A firm may be able to extract legitimacy from certain segments of the "business world" sooner if it displays rapid growth

⁴Ibid., p. 238.

⁵Ibid., p. 235.

⁶Ibid., p. 237.



and manifestations of that growth. Another firm may have to wait out the test of time (a longer time) in order to prove its survivability. The essence of this point is, however, that survival is the passage of time successfully (having been able to avoid being devoured) and now the firm is enveloped in the mantle of legitimacy.

Survival is perceived as what one thinks that others think about the ability of the firm and its entrepreneur to meet payments, to deliver goods of acceptable specifications in the prescribed time period, and to show progress in each succeeding time unit. It is crucially important, then, for entrepreneurs to be able to plant the seed of survival into the feedback perceptions of critical systems at crucial time periods during the earning of legitimacy. He can forego a payment to the stationers in period three, but he had better not be tardy with the mill supply house or the bank, or perhaps with his key raw material supplier. Obviously, his strategy is based upon his own perception of the "relative importance" of his suppliers to his enterprise, but it is also dependent upon the "relative competitiveness" of the suppliers at the time of the decision to respond or not respond. Survival in this case, then, is the strategic use of resources in the "time spectrum."

Control

Money is purchased time. Through his own savings and those which he can cajole from relatives, the craftsman entrepreneur obtains just enough to open the door of his place of business. From this initial pump priming, he attempts to generate enough return to meet current demands, and through accumulation to buy the next most important ingredient to

his enterprise. In the early stages, then, the founder has an imperfect system. He must, of necessity and because of his incapacity, forego certain types of business which he has cultivated. But since his personality is such that he cannot allow others to share ownership, he must consistently generate all his own purchase time. This is a highly conservative approach, which has been sufficiently successful that those in our society who practice this method find high status reinforcement for this modus operandi. The authoritarian personality has a somewhat distorted view of "control" which is obviously a throwback to earlier childhood learning days. One hundred per cent ownership is tantamount to control. Anything less is subject to the whims of the "capitalist," or the interloper, and is most disturbing to this man who is already having to undergo tremendous efforts to achieve control in his newly emerging environment.

The organizational entrepreneur senses that time can be purchased for his firm. He is willing and even encourages the input of capital, because it allows him to exercise his real abilities--i.e., manipulate resources in such a way as to maximize both cost-profit relationships and perceptions. In this sense, the founder is purchasing time to be able to act now, rather than later. In this sense, too, entrepreneurs are not wholly different in terms of their organizational objectives, but their differences can be seen in their time preferences and perhaps intuitive abilities to achieve these objectives through any time period. The obvious paradox lies in the noted difference that the organizational entrepreneur is much more prone to long-range planning,⁷ to thoughtfulness.

⁷William Hoad and Peter Rosko, "Management Factors Contributing to the Success or Failure of New Small Manufacturers," Bureau of Business Research, No. 94 (Ann Arbor: University of Michigan, 1964), p. 65.



deliberateness, and effectiveness in the longer time span of enterprise. Yet he is the one who engages in a form of enterprise where the short-run goals may have precedence in terms of absolute control.

The risk which inheres in either end of this spectrum can readily be seen. On the one hand is the craftsman entrepreneur whose short-run liquidity preference is high, and thus he loses the advantage of present-day control in the marketplace as well as the leverage factor of high debt in a rising market. On the other hand, the organizational entrepreneur risks the demise of his enterprise due to a possible high rate of demand for payment which is not orchestrated with his ability to exploit that return from his marketplace. Needless to say, there are the risks of high debt because his leverage may work against him. Witness the spectacular demise of de Angelis, Billy Sol Estes, Lobo, and even Zeckendorff. All these last were playing for a speculated condition persisting for just one more period of time. To speculate that the entrepreneur has made a deliberate consideration of alternatives and decisions is to oversimplify the case; what is really the condition here is that each one was acting from his own personal bias projected into the future.

Long-Range Planning Contrasted

The organizational entrepreneur talks about the six months of exasperation in obtaining the services of a sales manager. Another talks about patents and "training" programs. A third projects into long-term usage in the marketplace, such as truck receiving gear, because trucking is growing as an industry, or sporting goods of a nature which will not change due to age of player (e.g., golf or bowling), and still another

converts ocean freighters to lake ore carriers.

The richness of detail can better be appreciated by the following interview excerpt with Mr. Charles Fast, founder and president of Lock-Tite Aluminum Company:

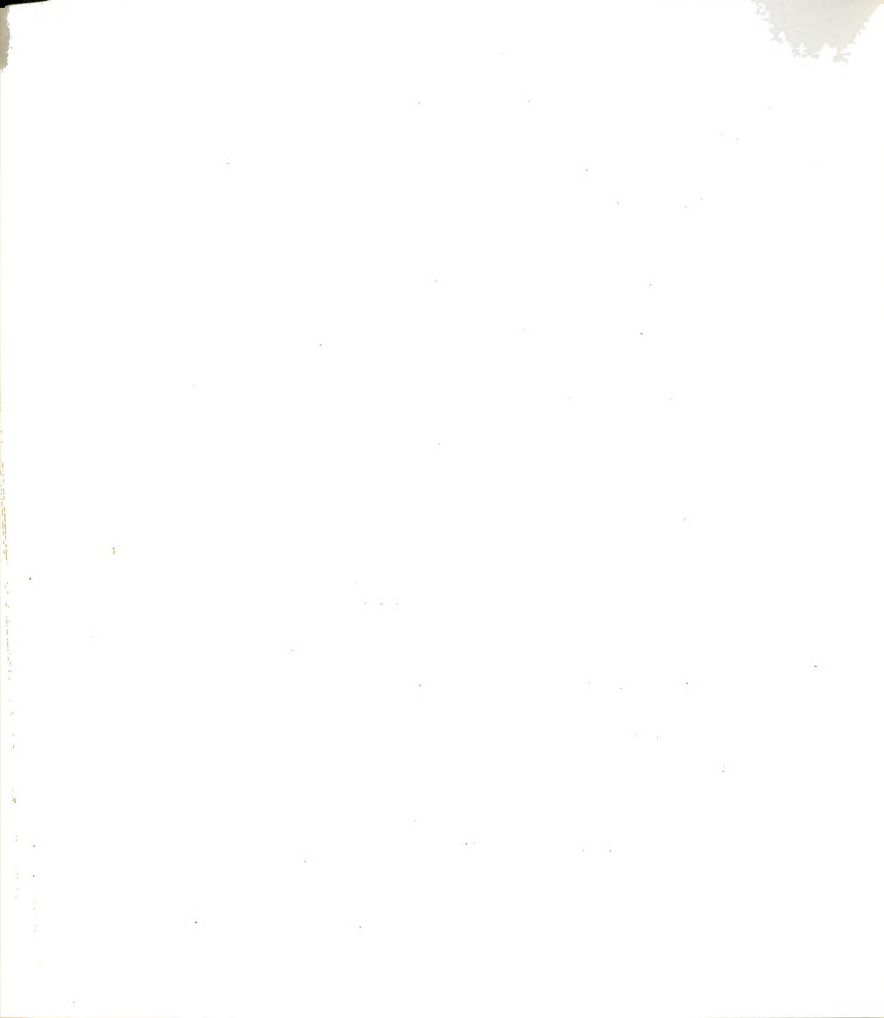
For my education I went to Park High School and I graduated in 1932 as president of my graduating class. Then I went to Commerce Junior College for a couple of years, up until 1934, and then I wanted to be a lawyer, so I went to Cadillac College Law School. It's a night-school, and I stayed there until 1937--about three years--and then I quit. I found finally that I got more interested in business, and there was more work to do there, so I finally quit law school.

When asked about his future plans, Mr. Fast discussed at length several large propositions which included not only expansion but also vertical integration, and he went on to state:

Now this is a fairly new process, and we're doing it on a licensed basis, and are to pay for this; it's costing us quite a bit of money to buy the equipment necessary for this process. . . This equipment is going to cost about half a million, and in addition to this, I have had to get inventory loans from Lawrence Heller and Company of Chicago. This has cost me about 13% and the other is four per cent. I'm up to here in debt.

And as he drew his hand horizontally across his neck, he commented further:

However, this will put me in a much stronger position as far as they are concerned (the major aluminum supplier). They would prefer to sell the pig aluminum, as it costs them about 12¢ to produce it. Then they sell it for 26¢ a pound which gives them 14¢ profit per pound, but in fabricating it they make only a 9¢ profit off the fabricated item. Consequently, they make more profit in selling the pig.



Mr. Fast owns the majority of company stock, and there are two directors outside the company.

On the plant tour of the Lock-Tite Aluminum Company, the interviewers noticed signs affixed to all of the machinery, and in certain strategic places on raw stock inventory and roped-off areas, all of them indicating that these items were part of the collateral for the loans from the Heller Company. Mr. Fast stated: "I don't like these arrangements; that is, having these signs up all over the place." There was a pause and then he said,

But I received a letter from Heller the other day, and they state that we were the nicest and most cooperative company that they have ever done business with. . . It made me feel pretty good about this.

He was asked about the picture of the girl on the table by his chair, and he said that this was his daughter, and the only child in his family. Then he went on to state that she was going to the Sorbonne this spring:

As a matter of fact, next week we'll be going over to France, my wife and I, and then we'll take her down to Spain and Portugal for a few weeks' vacation, and then we'll take her back to the Sorbonne.

She was just graduating from Hollins College in Roanoke at that time, where she majored in French Literature and French History.

When asked about other associations, he stated:

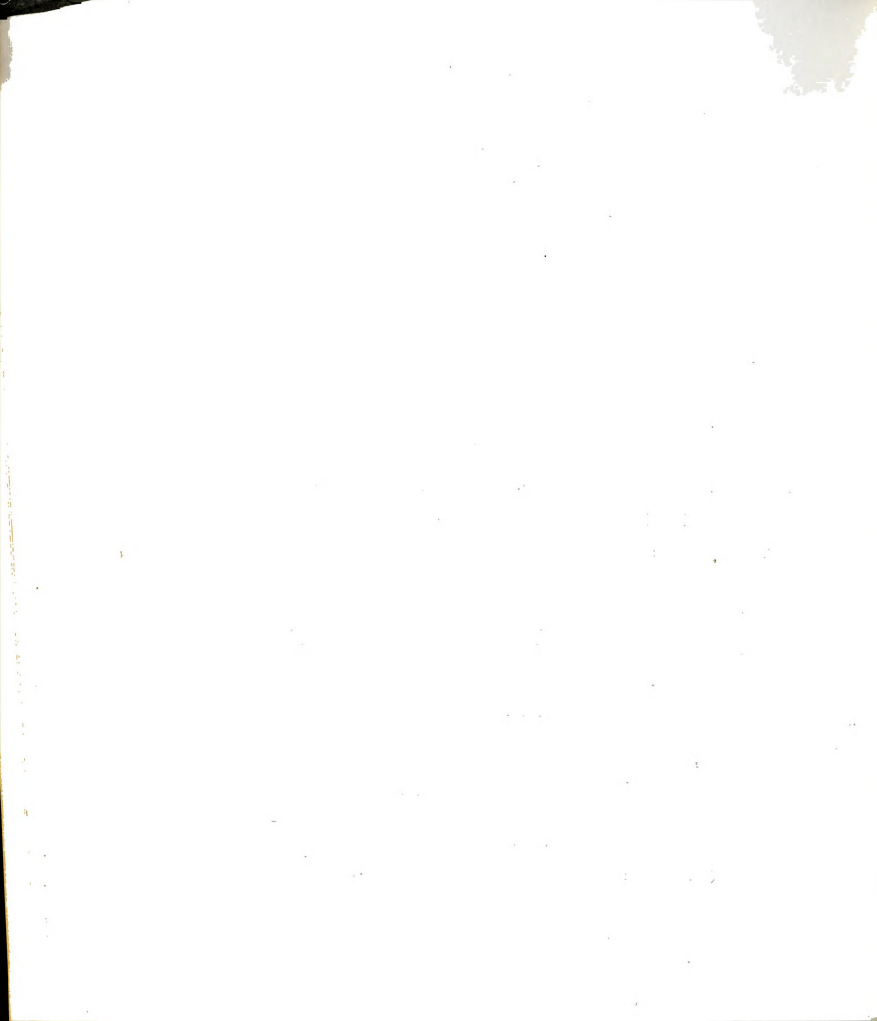
I've been president of two associations. I was the founding president about 11 years ago of the National Association of Home Improvement Manufacturers. We just had a show here in New York some

time ago and we grossed \$65,000, and made a profit of \$35,000 which goes into the Association Fund; and I was also the past president of the Association of Storm Sash Manufacturers. I also belong to the Oakland Country Club. However, so far as golf, I don't play it very much. I don't think you can run a business and be out on the golf course three days a week.

The interviewers commented also that the offices in the building were highly stylized and decorated, the sort of place that salesmen and other people could bring customers and clients for conference and interviews.

The craftsman entrepreneur on the other hand has a much narrower conception. It is not implied that this narrowness is either evil or derogatory; in fact, it is perhaps necessary for his type of business to succeed. The interview with Mr. Robert Eve, President of the Paradise Company (1961) [when gross sales were 1.85 million] included the following comment:

I've been doing a lot of thinking about this over the last couple of years, and had some discussion with my brothers, and I don't really know quite what to do. The vast majority of our business is within a ninety-mile radius of Wheeling, and there are considerable problems. There is the problem of the feast or famine approach which we've solved in our own operation because we do not have a union. . . but because we are not unionized, we've been able to instill into the men this notion that if we do not have productive work to do, there is considerable maintenance and repair work that they can do. Cleaning the plant, cleaning the equipment, maintaining and putting it in order. . . We generally work two shifts from the standpoint that the afternoon shift gets material ready and in order for a large movement on the day shift. . . In order for us to get more contracts we must be able to bid on larger material. (Ed.'s note: Meaning larger dies and tooling.) This would take the investment of money into larger equipment. But this is not feasible because we can't use the equipment and machines that regularly would pay the overhead for them. We've reached our best position just about now. If we get any smaller the overhead would not drop



appreciably and we'd be unable to bid on some contracts which are worth while. We've talked about the possibility of building another plant location, but that'd add overhead which we might not be able to handle.

Mr. Eve then pulled out a large pile of brochures from auction houses and used machine dealers in the Midwest. He noted the sale of some large tool and die shops:

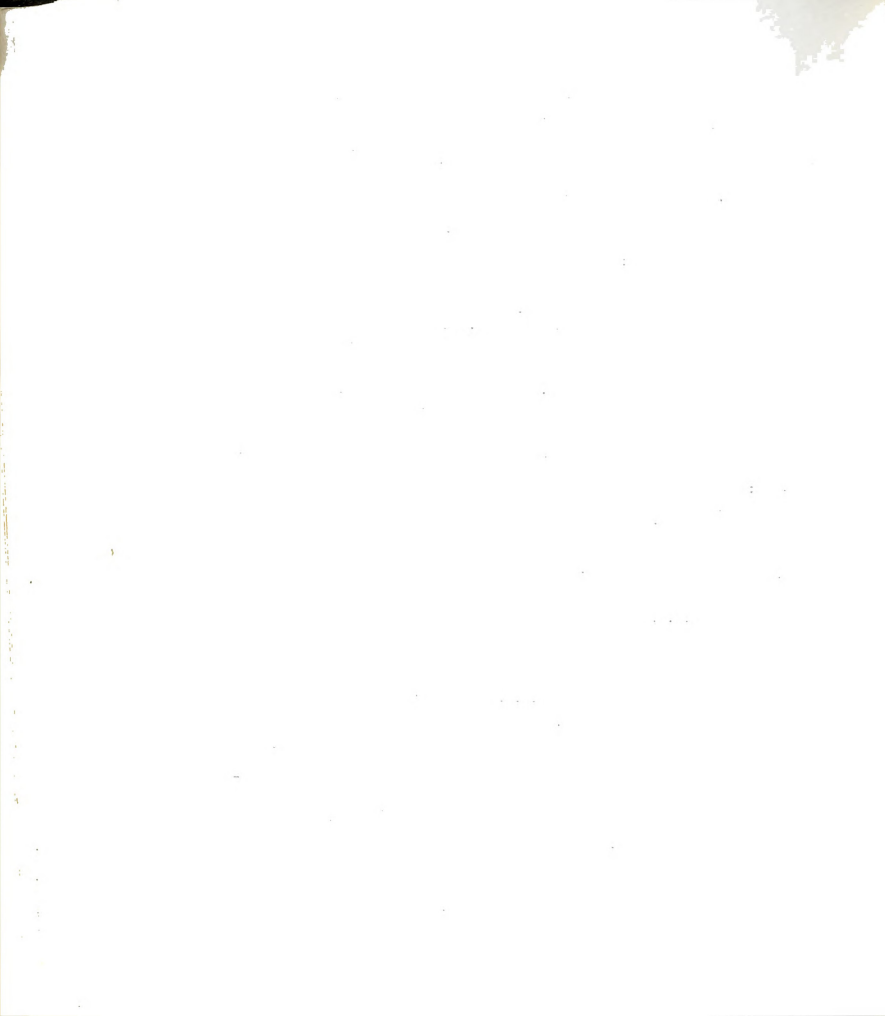
This really scares me. I've been on the mailing list to receive this information. I know some of these operations who have gone under in bankruptcy. I can't believe in my mind that some of these people went under because of bad management; that they did not know how to run their shops. There is a right size for overhead in this feast or famine operation.

Or note the statement made by John Lather, founder of the Lather Company: "Now I'm happy about this level, and I see no reason for working any harder at it."

In another vein, Mr. Himmeler of the Acme Boring Company stated:

. . . and, by the way, all of the equipment that has been purchased has been purchased by cash all the way down the line; I've never had to use the banks to any large extent, except maybe for minor working capital purposes, and we've got plenty of assets and collateral to put against that. . .

The richness of detail between the interview excerpts of the organizational entrepreneur and his craftsman counterpart is also indicative of the ability to perceive the numerous sub-events involved in a longer range scheme. The organizational entrepreneur is much more able to sense the subtleties and implications which become intricate as he views and prepares for future events. Charles Byrd, for example,



extrapolates from statistical and demographic data. Jack Holden uses training to obtain commitments from clients and prospects. Farrell Pinkerton employs the salient yearning for new model cars and customizing fads as part of his long-range contemplation. In contrast, Robert Eve, who was the most verbal and rational in his dreaming among craftsmen founders, is highly concerned with utilization factors for various types of equipment. Carl Norse pats a large machine on the motor and says that it can stay there for the rest of its days because it earned such a high return during the last model year. Fred Just, however, states the craftsman values most neatly when he says, "Show me what you want done, and I'll do it."

As long as the firm and team continue to manifest their interdependence, subordinates will acknowledge their subordination to the wishes of the firm as opposed to those of the craftsman entrepreneur who exacts personal tribute. And as long as firms prosper from planning and the ownership of tools, the subordinate finds that his mobility (and his only call to exact power) is severely reduced. Mobility to and from craftsmen firms was continuous, and was even expected by the owner. This mobility to and from craftsmen firms , among other implications it has for the firm, severely reduced the longer run status and projectability of that firm. The implication is clear--that the fruits of high productivity, the stability of industrial life, and the subordination of personal wants and rights are inextricably interrelated. Note here that stability is the time factory for which man lays down his moral life. It is his life-time.

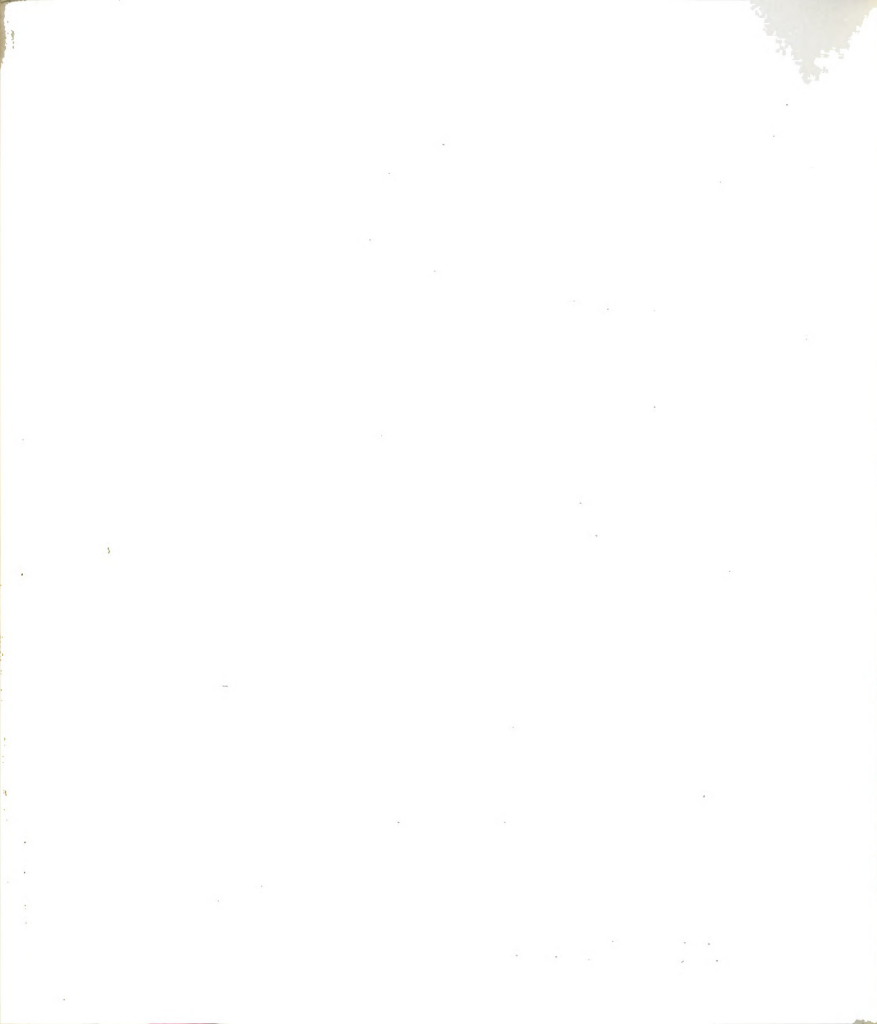


Time and the Emergence of Bureaucracy

The paradoxes of life are innumerable. The primary one here is that it is generally conceived that the centralist-communist thesis is one of stability, at a high level, and at the high price of the present generation providing it for the following generation.⁸ But this is a bourgeoisie notion, the giving up of present-day pleasures of life for the myth of the future.⁸ In reality it is the free democratic and highly industrialized societies which have most nearly accomplished the communistic goals and the communist societies which have most nearly failed, at least to date. It is the organizational entrepreneur who has devised stable measures for his firm and his relationships. It is the craftsman entrepreneur who by his actions is disruptive of stability, notwithstanding his posture in public. He does, however, provide resources for some nonstable personalities.

It is the bureaucratic processes whereby functions are specialized, segments divided and reunited, relationships of people specified, "coordinated" records kept for posterity as well as for governmental demand, hierarchy developed for status as well as coordination and its ultimate effect of stabilizing both internal careers and external posture of survival and permeability. The vastness and precision of this machinery is dependent also on the concept of continuity in various marketplaces. The profit of the organizational entrepreneur and thus the bureaucracy is then somewhat quasi-monopolistic. The initial ability of this entrepreneur to position himself in some control of the merchandising system allows the machinery of the bureaucracy to fill it, to

⁸K. R. Minogue, "The Fable of Time and Class," The American Scholar XXX, No. 2 (Spring 1961), p. 210.



detract from it, and to keep it supplied in proper proportions. The ability to provide stability inheres in the notion of control which implies restricted entry among others. Craftsmen entrepreneurs are highly dependent on the client to provide outlet for their energies and, therefore, they are dependent on clients for restricting entry. No self-interested client would do this for long; first, it is against the American tradition of free enterprise, and, secondly, the relationship of one bureaucracy to another (internal as well as external) does not permit organizational profit to persist long outside of his sphere.

The conclusion is that while initial efforts to establish a firm may be seen as short range, the long-run plan of events is significant for the outcome. The outcome is one of bureaucratic persistence and therefore of market stability. As long as long-run stability seems stifling, and volatility seems attractive to a segment of the population, that segment will find a mechanism for satisfying that feeling. The reader will find that these notions of time, time future, and the technological superiority of the "roundabout" processes have been delineated by the famous Austrian Economist, Boehm-Bawerk.⁹

This superiority of technology also implies the technical capital of the large-scale organization. The organizational entrepreneur recognizes not only the personal pleasures to be derived from a highly effective team, but also he senses the capital good which he now possesses, which he conceived and nurtured to become the effective team. He also senses that like any other capital goods, segments become obsolete, and with the infusion of new ingredients and the restating of new goals for

⁹Paul A. Samuelson, Economics: An Introductory Analysis (New York: McGraw-Hill, Sixth Edition), p. 595.

"his machine," this machine is both viable and perpetuating of itself. While the process is more "roundabout" than that of his craftsman counterpart, it also is technically superior. Needless to say, the perpetual body of the bureaucratic or organizational system allows it to command resources and respect which a single human unit is incapable of doing, at least in modern-day society.

CHAPTER V

SUMMARY AND CONCLUSIONS

In the beginning it was stated that the purpose of this thesis was to relate and organize the responses of the founders or heads of thirty-six companies so as best to expose the background characteristics of these men in relation to the administrative organization which resulted. This was demonstrated by means of comparing background characteristics to those sociological characteristics known as "blue-collar people" and "white-collar people." The business firm itself was positioned on a scale of bureaucratic intensity suggested by Richard Hall, a sociologist. The major hypothesis of this thesis is that business firm founders with blue-collar backgrounds tend to develop business organizations with the least bureaucratic tendencies, and that white-collar backgrounded business firm founders tend to create firms which have many more bureaucratic appurtenances.

Bureaucracy is a model which is primarily concerned with rationality, with ordering the affairs of men, with optimizing within the total cultural milieu, with the specialization and complementarity of work and effort. In its ideal sense, it lays down a set of principles regarding how work is to be performed, and by whom, and under whose direction, and finally how the whole effort is to be coordinated so as to achieve certain distinctive objectives. Bureaucracy is concerned with relationships, both internal and external. In this regard, craftsmen entrepreneurs

were found to be disruptive of the general process towards ideal bureaucracy, whereas the organizational entrepreneurs were found to be facilitative. Not only is the scope of activity of an organizational entrepreneur's firm much more extensive, but the ordering of activity, events, and relationships is considerably more emphasized. The achievement of an elegant and prosperous "roundaboutness" is seen by the craftsman entrepreneur as red tape and waste which can be overcome by decisiveness and bold and direct action on his own initiative. It is not seen by the craftsman entrepreneur as an investment in the future which will be capitalized.

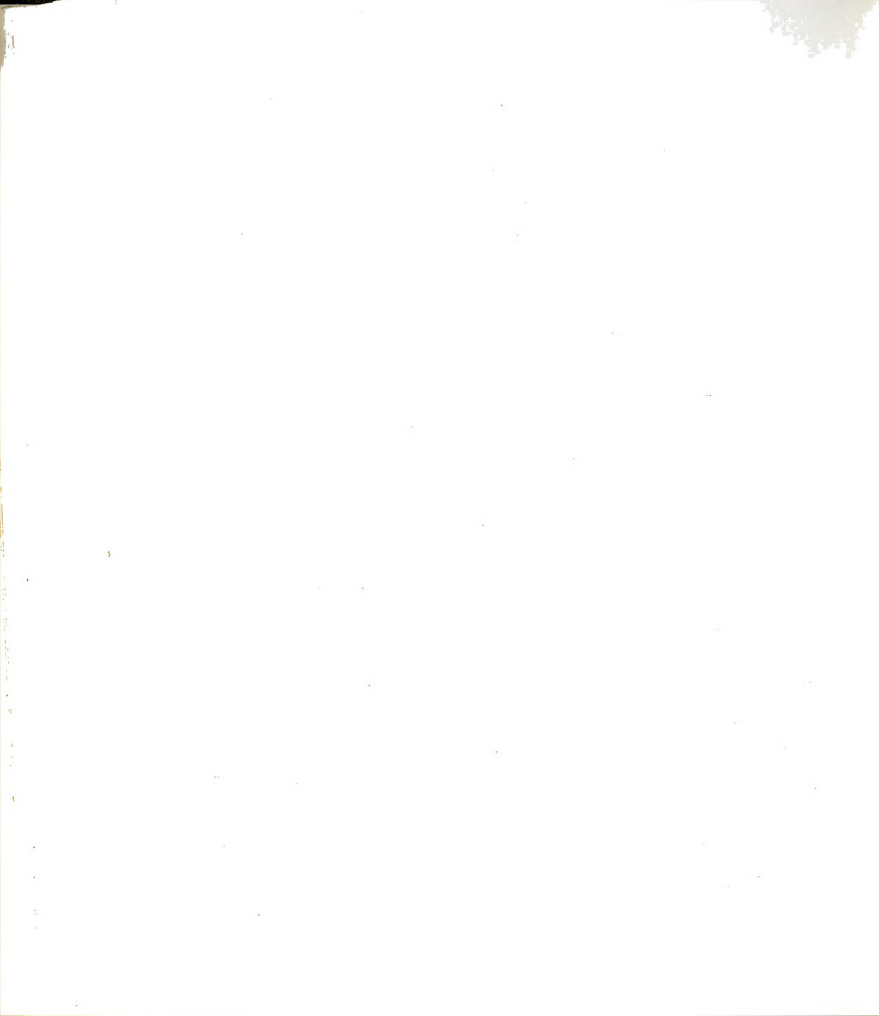
The distinctions between "blue-collar" and "white-collar" backgrounds are formulated on the basis of the education and occupation of the father of the firm-founder, in addition to the educational and early work history of the founder himself. Thus a founder whose father was a semi-skilled worker and who did not complete high school, and the son-founder who, himself, merely completed high school and then worked primarily in a semi-skilled or a skilled laboring capacity--was classed as a founder with a blue-collar background. Almost invariably this person would found and develop a firm which was classified as a craftsman firm.

This craftsman entrepreneur tends to view his firm as an extension of some larger organization. He is subordinated in the marketplace; as a result he prices his output on the basis of keeping it from being bid away by another craftsman. He prizes his machinery and equipment not unlike a skilled carpenter or machinist prizes his toolkit. His relationship with banks, if he has any at all, is mistrustful, to be used only for emergencies; and he never uses his equipment as collateral. His

view of the marketplace is ambiguous. He either has a supplicant's view of purchasing agents or he sees them as pliable by lavishing gifts upon them in the form of wining and dining. He views his own employees as workers rather than as colleagues. He sees unions as not necessarily evil, but certainly as unnecessary. He thinks that a man if he works hard, is willing to try every machine in the shop, and develops a set of marketable skills, he too can get a high-paying job, can even go out and found his own firm. Staff people are generally unwelcome as highly trained specialists because their contribution is too abstract, especially white-collar workers who never go into the plant and who perform paper work which he considers somewhat feminine.

The fathers of "white-collar" firm founders were, more often than not, small business men, and some had notably higher educational attainments than did the blue-collar fathers. However, the most remarkable characteristic of the son was his own educational attainments. In every case his formal attainments were significantly higher. In addition, every son had some form of significant managerial experience ranging from three to twenty-two years. As a result he has a broadened view of the world and people as compared to blue-collar founders.

The organizational entrepreneur tends to view work more in terms of its contribution to the organization. He understands that people working together in complementary tasks can achieve growth, stability, and product innovation much better than can otherwise be accomplished. He senses that the firm is positioned in the marketplace among various customers, vendors, employees and financial interests, and that profit, growth and perpetuity are achieved only when certain key ingredients are under the



control or influence of his particular firm. The striving for patents, market percentage dominance, stable work force, or uniqueness of product is considered very important. He accords staff personnel much higher status and prestige because their work is needed by the firm. Banking relationships are important and useful, and are therefore cultivated. Public or dispersed stock ownership is not viewed as loss of control, but rather as identifying the company broadly as a form of capitalization and as a means of perpetuity in the marketplace.

In terms of the sales efforts made by these founders, it is most interesting to observe that the organizational entrepreneurs used a very significant percentage of interview time in discussing their marketing efforts. Even those firms which utilize representatives rather than their own hired sales people did so. To state that the organizational entrepreneurs establish market-oriented firms is an oversimplification, but the entire organization has an orientation which enhances its marketing efforts; there is a bureaucratic arrangement which arises to achieve a quasi-monopolistic posture in the marketplace.

The time horizon of the entrepreneurs is also distinctive. Generally, the organizational entrepreneur has a much longer time perspective. He senses that the flow of activity and events even by diverse people not under his direct control is important and can be useful to the firm, both internally and externally. Short-run activities are meaningful in terms of longer-run objectives. By contrast, the craftsman counterpart tends to view organizational time in terms of tooling programs, deadlines for delivery, invoice cycles, feast or famine, pay-days and model runs. He has a much more concrete time perspective. The



concreteness results in an organization which is not as orderly or systematic as the organizational entrepreneurs firms. The longer-run view enhances routine and system. The shorter-run view tends to dominate the immediate, and does not as readily perceive the repetition of events which can be incorporated. The longer view also includes a much broader scope of activity which needs to be controlled and influenced. This, too, is incorporated in a systematic way by the organizational entrepreneur.

As is seen from Table V, there is not a great distinction between the backgrounds of craftsmen entrepreneurs in either Class I or II. There is about the same degree of schooling and approximately the same total amount of managerial experience distributed among each class. The distinctions become very clear, however, when comparisons are made between craftsmen entrepreneurs and organizational entrepreneurs (Table VI). The number of college degrees goes from zero (craftsmen) to nine (organizational), if a nonaccredited degree from a corporation technical institute is included. The total amount of managerial experience is also much higher among the organizational entrepreneurs. The rosters show quite clearly that among the craftsmen group there is considerable blue-collar emphasis in both the father and the son-founders. While there is noticeable white-collar emphasis (as suggested by the father's education, occupation, and the son's education and subsequent work experience), the upward mobility for some of the founders is quite significant. There is also greater emphasis on small business values expressed by the fathers in the organizational tables. It is interesting to note that only two craftsmen fathers were farmers (which is sometimes considered as a form of small independent business) and one a small-town lawyer. All other

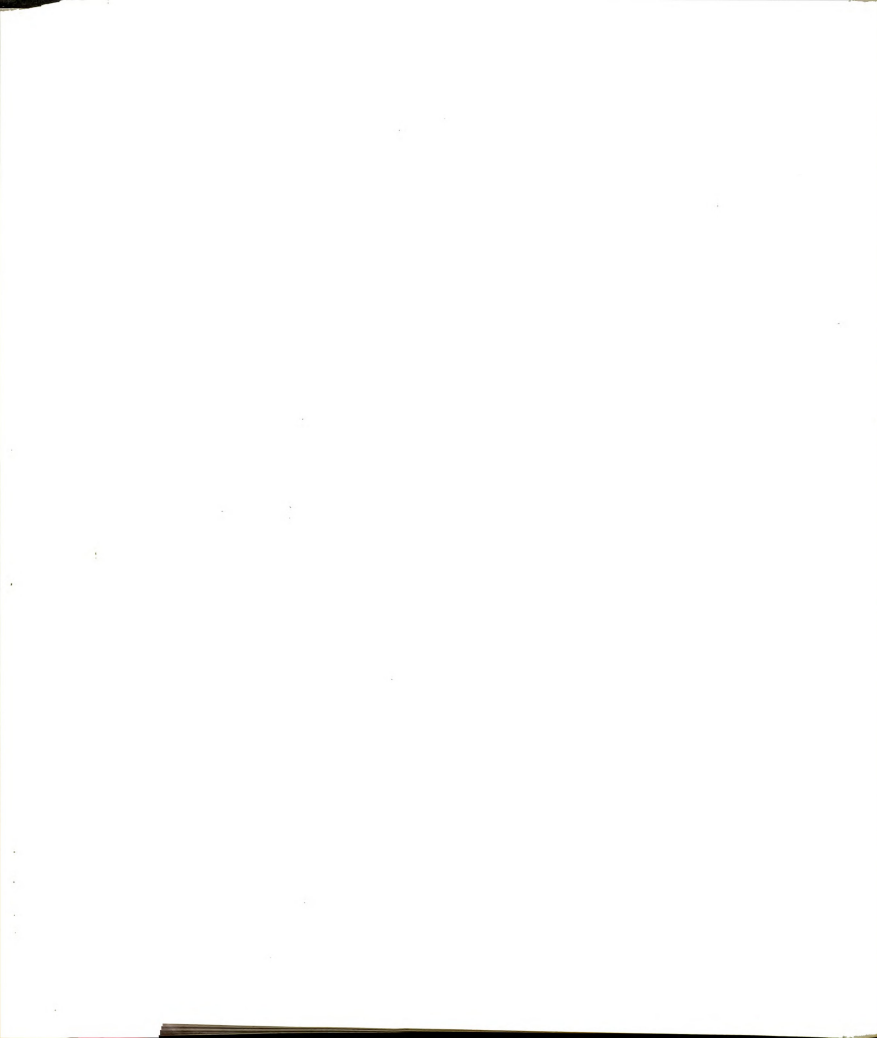


TABLE V
CRAFTSMEN ENTREPRENEURS -- RECAPITULATION

	Father's Education and Occupation	Son's Education and Work Experience	Location	Class	Appendix III Roster
1.	Lower level salesman	High school graduate plus skilled experience as salesman	Benton Harbor	C-2	1
2.	Less than high school; Shipping Clerk, unemployed for various periods	One year of college, two years managerial and six years skilled work experience	Benton Harbor	C-2	3
3.	Blue-collar worker, later became white-collar and upper management	High school graduate plus skilled experience, plus two years of supervisor	Benton Harbor	C-1	4
4.	Skilled blue-collar worker	High school graduate, four years Supervisor experience	Lansing	C-2	5
5.	Domestic fuel oil	High school plus skilled experience	Lansing	C-1	6
6.	Blacksmith, less than eighth grade	Less high school, plus two years skilled experience	Lansing	C-1	7
7.	Farmer, less than eighth grade	Less than high school, plus skilled experience	Detroit	C-2	10
8.	Unknown	High school plus six years supervisor, one year managerial experience	Detroit	C-1	13
9.	Blue-collar worker, later became white collar	Completed Junior College, one year managerial experience	Detroit	C-1	16



TABLE V -- Continued

	Father's Education and Occupation	Son's Education and Work Experience	Location	Class	Appendix III Roster
10.	Foundry worker, less than eighth grade	Tenth grade, plus five years managerial experience	Detroit	C-1	16
11.	Small-town lawyer (Canada); eight children	Less than high school, plus skilled experience	Detroit	C-1	17
12.	High school graduate, sheet metal worker later became foreman	Two years college, plus skilled experience	Detroit	C-1	20
13.	Less than fourth grade Retail Clerk, small general store	Tenth grade, plus managerial experience	Detroit	C-1	21
14.	Factory worker	One year law school (no degree A.B.), plus skill and 1 year managerial experience	Detroit	C-1	23
15.	Father died at age 3; mother was scrubwoman	Tenth grade, plus special extra courses, plus two years managerial experience	Detroit	C-2	25
16.	Farmer and later factory worker eighth grade	Tenth grade, plus trade and ICS school	Detroit	C-2	26
17.	Factory worker; 4th grade	High school, plus trade school	Detroit	C-1	30
18.	Unsuccessful Real Estate salesman	High school, plus six years of managerial experience	Detroit	C-2	31
19.	Factory worker, later became foreman	One year of college	Detroit	C-2	36

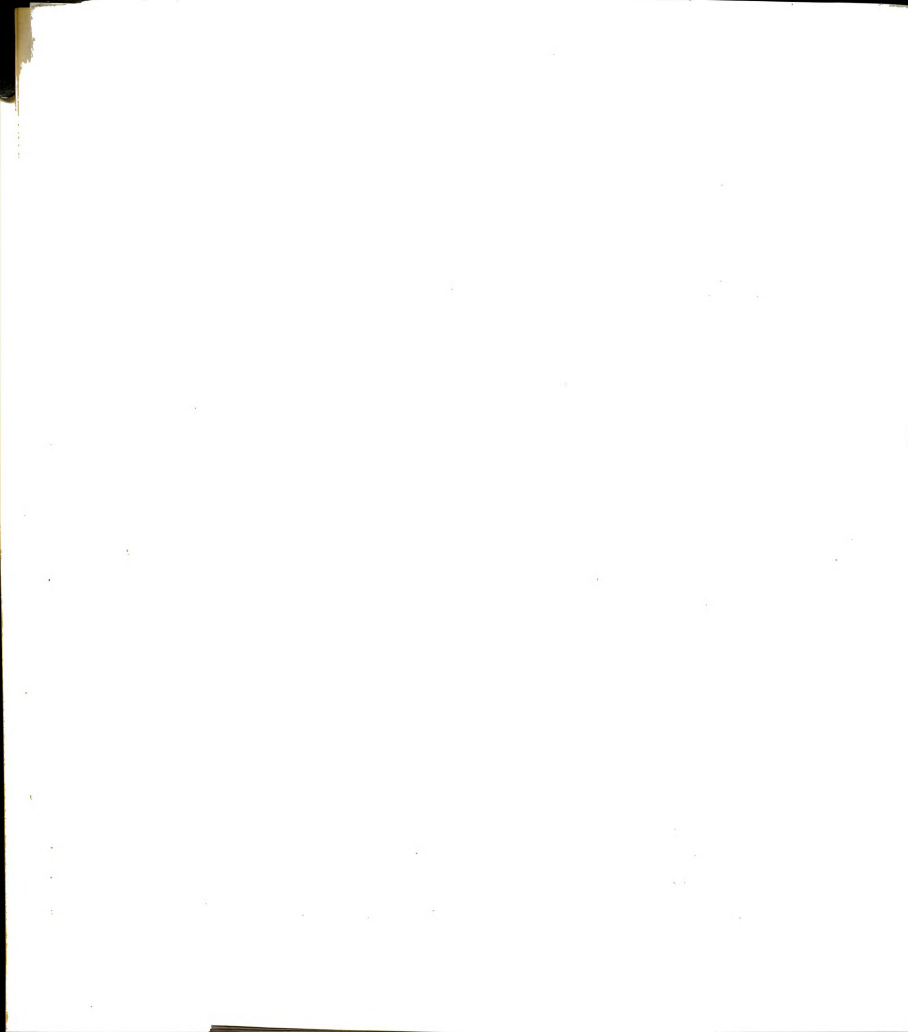


TABLE VI
 ORGANIZATIONAL ENTREPRENEUR -- RECAPITULATION

	Father's Education and Occupation	Son's Education and Work Experience	Location	Class	Appendix III Roster
1.	Pharmacist - owned two drugstores	B.S.I.E., plus five years managerial experience	Benton Harbor	0-2	2
2.	Retailer - owned own store	High school, plus 22 years retail store ownership	Lansing	0-2	8
3.	Graduate Engineer Engineer-Designer	B.S.M.E.	Lansing	0-1	9
4.	Farmer (in Poland)	Three years engineering school plus engineering supervisor	Detroit	0-2	11
5.	Owner of patent medicine business (less than fourth grade)	L.L.B. plus 20 years practice	Detroit	0-1	12
6.	Small manufacturing business owner (in Germany)	High school plus consultant, plus general managerial experience	Detroit	0-2	14
7.	Small business owner (carpentry) [less than high school]	Two years college, plus managerial experience	Detroit	0-2	18

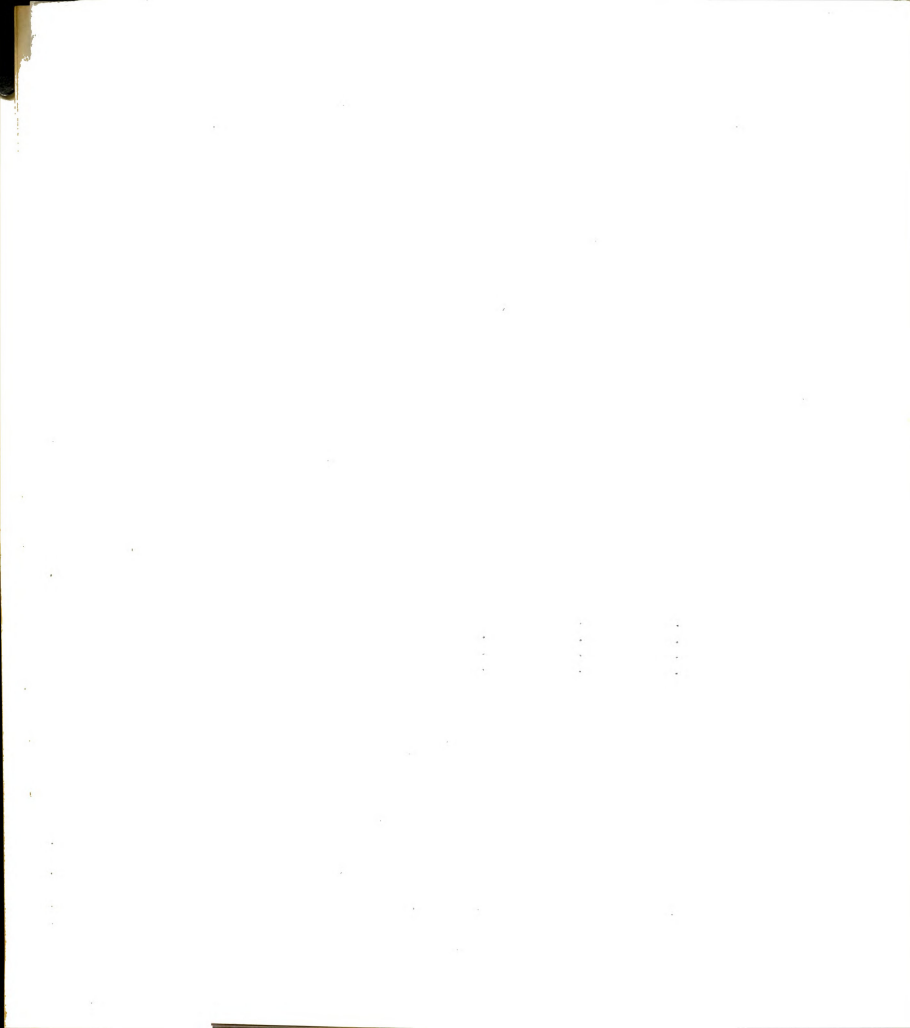


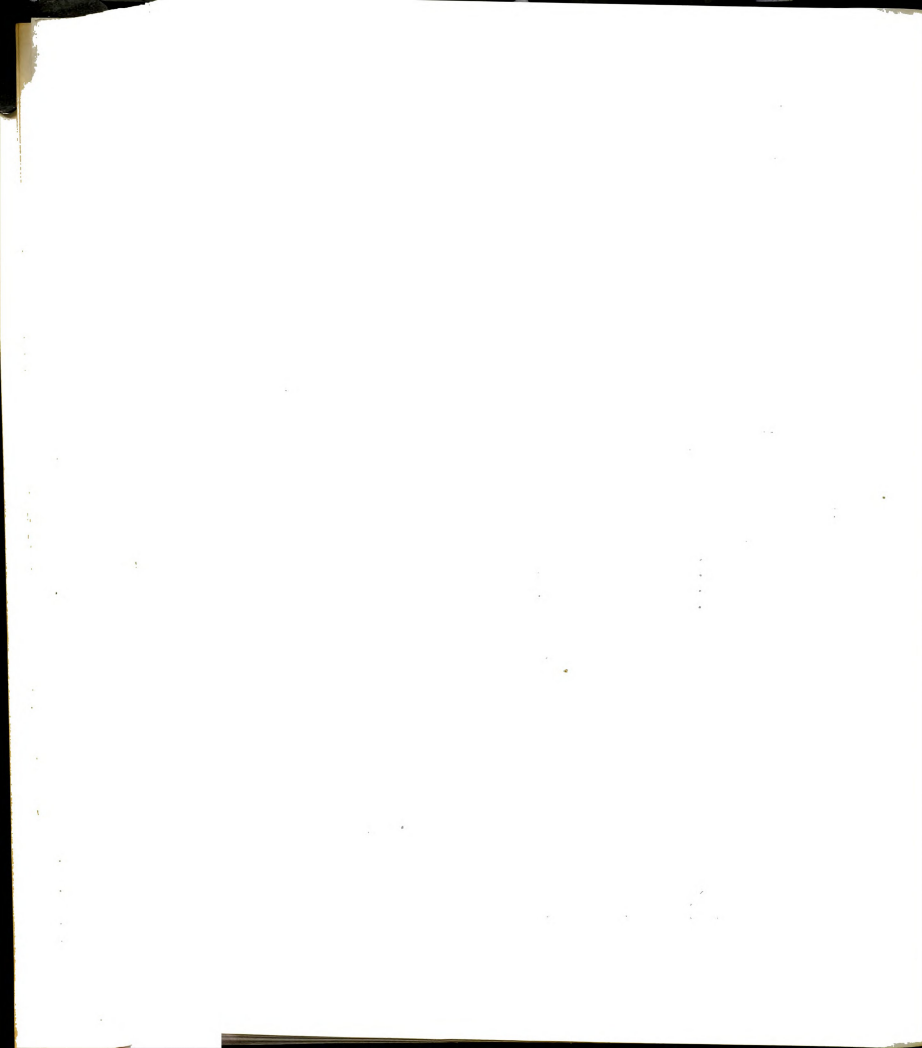
TABLE VI -- Continued

	Father's Education and Occupation	Son's Education and Work Experience	Location	Class	Appendix III Roster
8.	Semi-skilled electrician (less than 4th grade)	Fourth grade, plus Great Lakes pilot license	Detroit	0-1	19
9.	Semi-skilled factory worker; became foreman late in life	B.S.M.E., plus managerial experience	Detroit	0-1	22
10.	Unskilled immigrant (from Armenia)	High school plus ICS, plus 12 yrs. managerial experience	Detroit	0-2	24
11(a)	Sign painter, postman	B.S., Ch.E., plus two years law school, plus managerial experience	Detroit	0-1	27
(b)	Small general store owner	A.B., plus sales management experience	Detroit	0-1	27
12.	Unknown	(interviewee not founder of firm) B.S. plus four years managerial experience	Detroit	0-2	28
13.	Farmer (in Canada)	High school plus night school, plus managerial experience	Detroit	0-2	29
14.	Architect and Artist	B.S.F.A., plus 10 years managerial experience	Detroit	0-1	32
15.	Saw-Mill worker (three-fourths American Indian)	Completed Corporation Tech.	Detroit	0-2	33



TABLE VI -- Continued

	Father's Education and Occupation	Son's Education and Work Experience	Location	Class	Appendix III Roster
16(a) (b) (c) (d)	Skilled worker Farmer Postman Butcher in Czechoslovakia	Three years engineering Col- lege, B.S.E.E. Two years college (this per- son has acquired 30 patents in electronics Two years engineering col- lege plus extras, plus four years' managerial experience	Detroit	0-1	34
17.	White-collar worker	Three years law school (after A.B.), plus managerial experience	Detroit	0-1	35

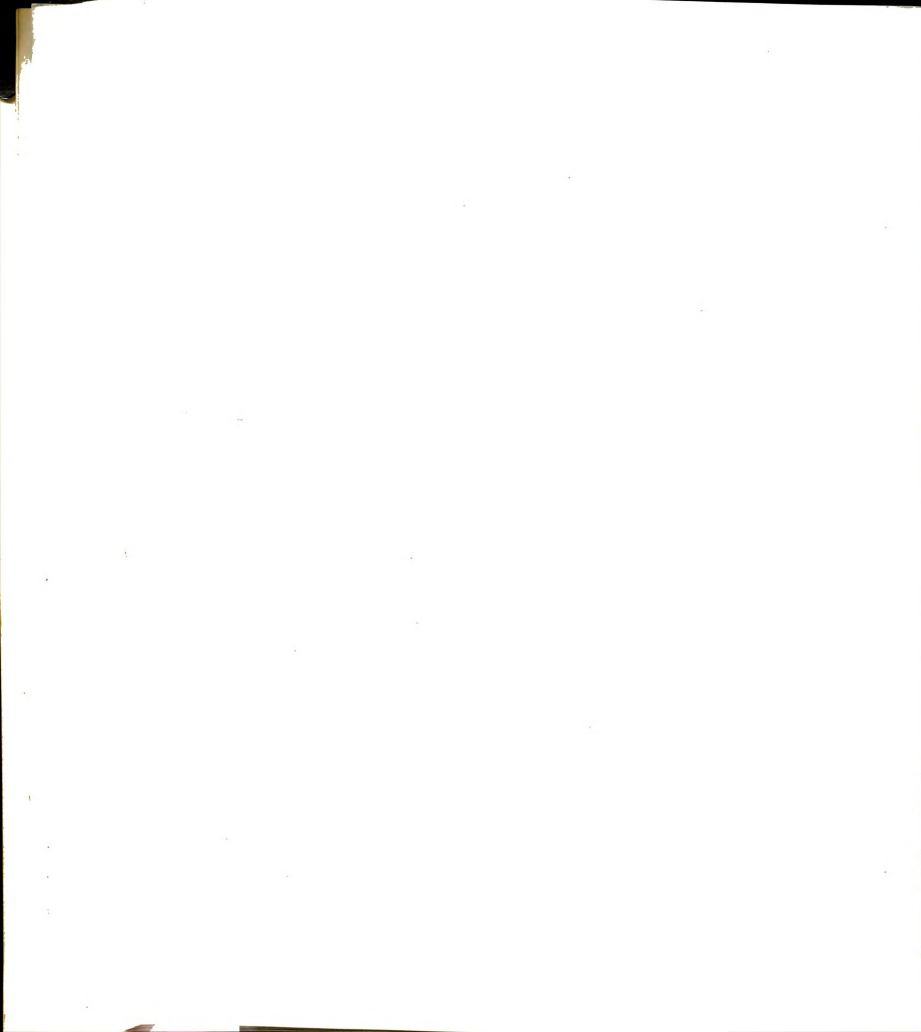


fathers were blue-collar workers, although one father moved up to become a plant manager and another became a foreman, and another moved into a white-collar clerical job. The amount of skilled worker experience among craftsmen entrepreneurs is notable. However, this fact should be related to the discussion in Chapter I, page 20, which states that skilled workers do not become middle-class or white-collar in their value structure.

Implications

The first major reflection of this thesis and the research which it reports is that considerable follow-up interviews are needed. These follow-up surveys would attempt to learn how successful were the adaptations made to changing environment as well as how successful, at least in the eyes of the founder, were his projections for the future of his firm. Only in a very few cases were follow-up interviews made. The studies reported herein were cross-sectional, in that they viewed various aspects of the organizational structure at a given point in time. Future studies could point out the changing character of these organizational devices. The types of changes would allow even better insight into the organizational perceptions of the founders.

Another major problem which is only touched on in this thesis--is the changing perceptions of the founder himself. While it is evident that the style of administrative organization which results from his life-set of experiences, these life-sets do change to some extent according to the perceptions of on-going experiences of these same men. The real question to be ascertained is: What is the nature of the experiential



growth patterns, and what organizational changes result? It is suggested, for example, that certain founders who have highly sensitized perceptual processes (which may be a learned characteristic in itself) may move very rapidly from blue-collar outlooks to high-level white-collar values, and that this movement will have drastic reaction on the firm. It would be even more interesting to discover whether high-level white-collar value constructs are a necessary precondition for the firm "take-off" as described by Allen C. Filley.¹

One of the more measurable conclusions suggested by this thesis is that formal education seems to be a necessary condition for firm bureaucratization and, therefore, growth to any viable size. "Education is the Royal Road to Success" seems to be as operative in the characterization of new firms as it is a personal success ingredient in large-scale enterprise with a long bureaucratic history. This does not mean that nonbureaucratic firms (or craftsmen firms) are less than satisfactory for many purposes. It does mean, however, that these distinctions can be useful for a great number of purposes. It suggests, for example, that bankers and other lenders of equity and working capital while looking very carefully at the character of the borrower may wish to emphasize their weighted judgment toward the "better educated," if the requisites are stability and growth, resourcefulness, and collateral. This thesis suggests that craftsmen entrepreneurs are not likely to be seeking equity capital from usual lending sources but from personal or kinship resources, so that this arena may not appear to be much different from current practices. On the other hand, or in the other direction, it is suggested that highly educated

¹Alan C. Filley, A Theory of Small Business and Divisional Growth, op. cit.



entrepreneurs with some managerial experience may be better credit risks than are entrepreneurs on the average, and therefore should be granted lines of credit on an easier basis or larger scale.

Banks and credit agencies are also vitally interested in the performance characteristics of their borrower, and this is usually judged on the basis of records and pro-forma projections. It suggests, not surprisingly, that for craftsmen entrepreneurs and others interested in going into business for themselves, forward projections are vital, and the positioning of these projections on paper is essential for future success. It is felt that lengthening forward time projections and the processes of making imaginary events become concrete can be learned, and this is an essential ingredient for business success.

In this same light, the concept of control will have to be laid out, analyzed, and perhaps perceptions altered. As business firms move from craftsmen firms to organizational style firms, the founder in many ways gives up a certain form of control, in return for which he obtains other forms which are of a much higher order, much subtler, and much more rewarding, at least as viewed from a middle-class perspective. At least such training would present another alternative to some founders who otherwise employ a very narrow view of enterprise control. Given alternatives, they would be better able to make rational choices of the style of control mechanisms they may wish to use.

Control implies that there is an orderliness and rationality to the enterprise system within a framework of system objectives. The contemplation and statement of short and long-run objectives would result not only in more concerted action on the part of the enterpriser, but by its very nature would force him to act in a more rational manner with



regards to his enterprise system. Currently, the blue-collar worker and lower-level white-collar worker live in a cultural milieu in which long-run objectives are beyond their grasp or their way of life. (One might conjecture that social security retirement has great appeal to these people, not for its own remunerative appeal, but because it allows for some long-run contemplation and control over those long-run events leading up to retirement--in the same way that upwardly mobile people may have career aspirations over the same long run.) If the founder were to address his immediate employees regarding the long-run activities for his firm, along with a statement of objectives, this would force some rationale into the system, and would cause rank-and-file people to behave with some consideration beyond the most immediate and pressing demands.

Control implies also the evaluation of performance, which demands some sort of record-keeping system beyond the mere recording of events or costs. It requires a real-time, on-going informational feedback with immediate checkpoints or alert points. Again, education seems to change social values, in that paper work is not seen as a feminine occupation, but as a method for abstracting events and dollars so that virile judgments and subsequent action may ensue. It is profitable for a very small enterprise to operate as a one-man enterprise as long as the size and complexity are sufficiently small, so that he can compute, control and coordinate all angles within his own mind and perceptions, or at any rate on the back of a borrowed envelope. This notion suggests, however, that governmental demands for certain records, and bank demands for proforma record systems are all tendencies in the right or bureaucratic direction. It suggests, too, that small accounting firms which merely render

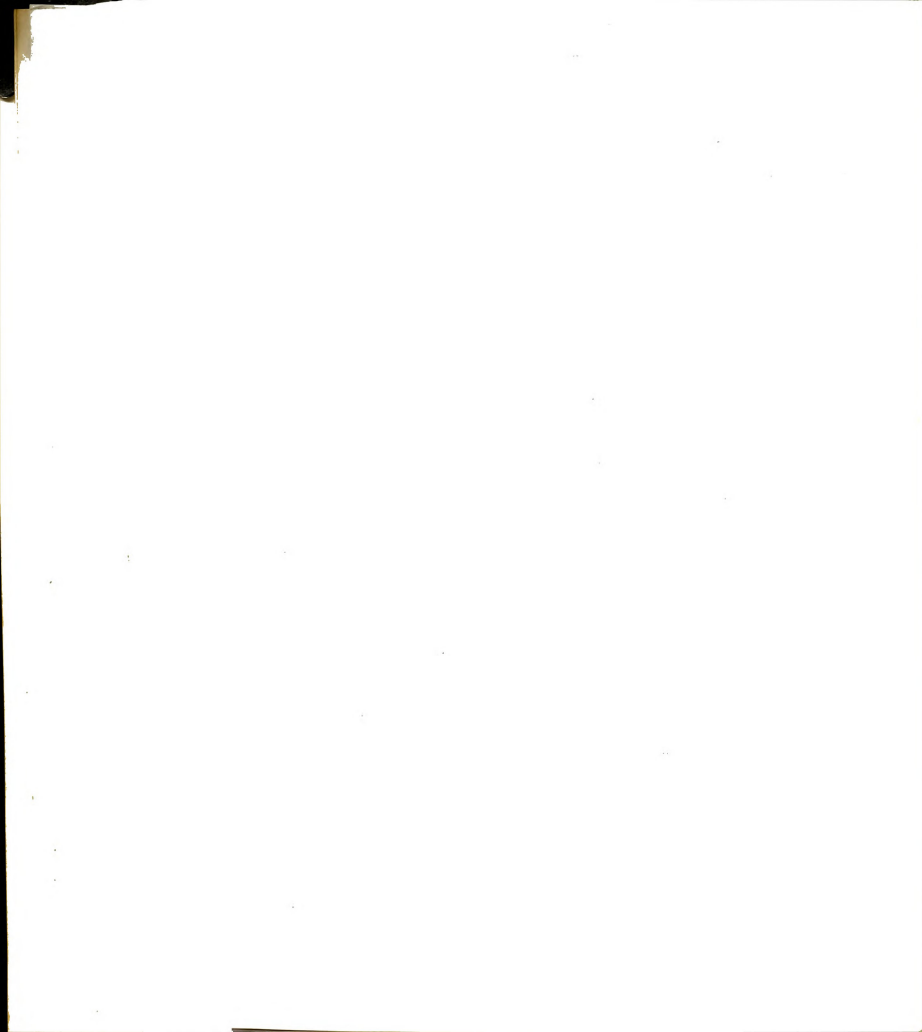


accounts payable and taxes paid may not be fulfilling their function for smaller firms.

The implications of this discussion suggest that the role of education in the training for small business begins not with a formal plan, organization and control, or recognition of the distinctions between a partnership and a corporation, but rather with some fundamental psychological therapy whereby the subject is brought out of his cultural milieu; and thus his new personality can transcend his biases and therefore his firm is infused with a new outlook on the nature and possible blessings of bureaucracy in enterprise. It is further suggested that necessarily this not be done until after the occurrence of two significant events in the life of the enterpriser.

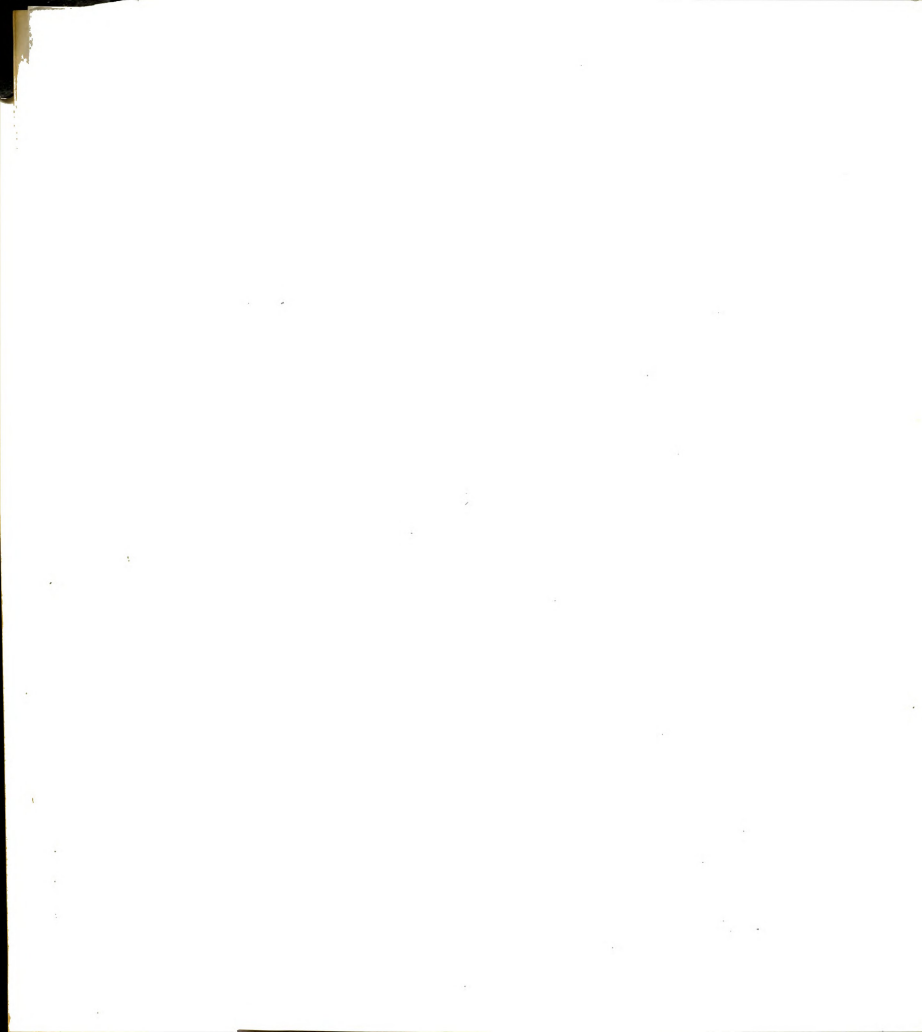
One of these events is surmounting the initial phases of getting the enterprise into being. It may well be that the personality of the craftsman entrepreneur is a vital ingredient in this early success. The data now available in these interviews are insufficient to make a judgment about this point, however, and the author is unwilling even to conjecture a prediction on such research findings.

The second event has to do with the feeling of success enjoyed by the founder as he looks at the results of his enterprise. It may well be that the psycho-therapist will have to wait for the founder to point with some emerging pride at his enterprise organization before he dares to annihilate the old personality in order to build the new personality. To date, our society has been unwilling to insert itself directly into an enterprise system, privately owned, in order to force this occurrence, even though it might have great social value if it were to do so. Society does, however, assert itself so far as financial penalties are imposed on



firms for unstable activities which could have been ameliorated by more careful planning.

Another major consideration in this discussion is the role played by the present "free enterprise" system, in that it allows such socio-psychological personalities to relieve their frustrations and tensions as employees and become "free" agents to try their own hands at developing new administrative forms as they wish, with only certain limitations. On some occasions these do become successful enterprise systems and of great value to society. In addition, there seems to be some value, of no small amount, for these particular administrative forms to employ personalities who would otherwise not be productive agents as employees in other system types. As the interviews progressed, the author was impressed with the lack of unionism among the smaller (and particularly among) craftsmen firms; and he began to inquire for some reasons. Mr. Carl Norse of Norsemen Broach supplied perhaps the most insightful and concise answer, "We've got a bunch of rebels here!" Then he went on to describe the continuous comings and goings of semi-skilled and highly paid skilled employees who seemed to have some sort of gypsy blood. He mentioned, too, how he had horse-breeders among his group and how the holiday schedules were gerrymandered (into a form which would be completely unacceptable to large-scale enterprise). The gist of his comments was that when boredom set in or personalities flared, they would go looking for employment elsewhere. And because of their skills they could easily command employment elsewhere. This suggests that society needs an accommodation for these types of people lest unrest in large-scale industry become really unmanageable. (It may suggest further that variety and spontaneity even at

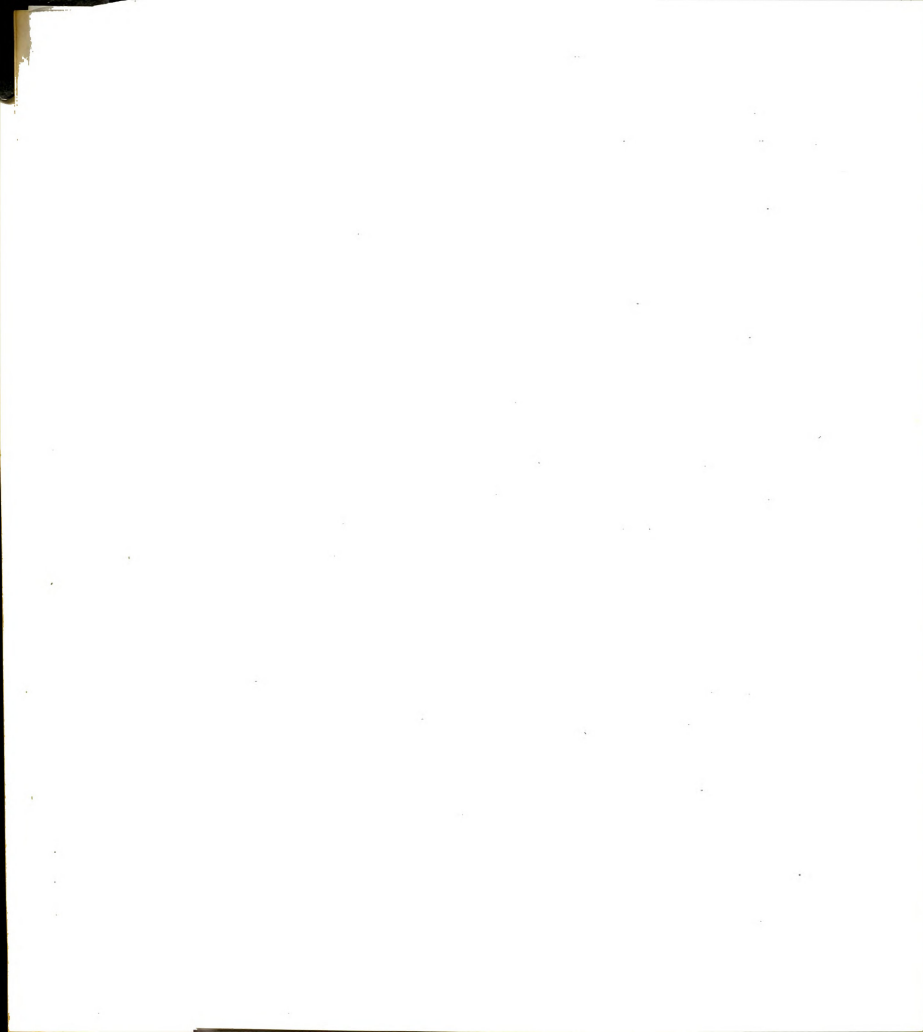


the work place are a value that society should not forego even in an era of large-scale enterprise.)

The implication of these findings for overseas development are curious. The author deeply feels that craftsmen entrepreneurs are needed in underdeveloped (technically and economically) countries. However, he equally believes that craftsmen entrepreneurs are not suitable grist for overseas firm formation. In the first place, they seem to need too much structure. Secondly, there is a serious question of their ability to function at all in a foreign environment. Since they are operating to act out their own frustrations rather than forming a new enterprise (which may very well be an incidental resultant), their usefulness or even desirability may be questioned.

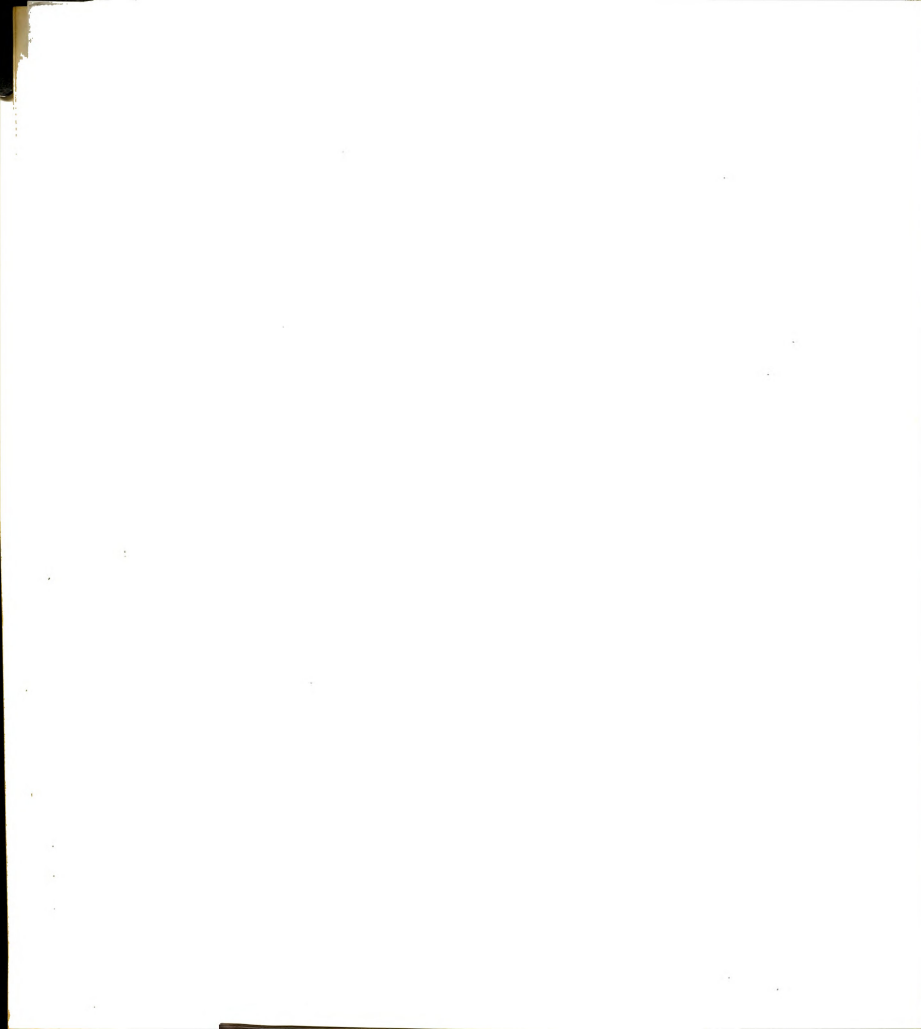
This further suggests that the profit motive may not be operative in new firm formation. It does suggest that new craftsmen firms are more a result of compulsion to escape one form of work and to achieve a semblance of control in another system, with perhaps a little bit of status thrown in. Perhaps profit motive is a more acceptable excuse for enterprise than is an uncontrollable psychological urge without sociological acceptability. Profit, rather, is society's measure of whether the enterprise ought to be allowed to continue to exist. Very few of the interviews mention that the reason for embarking on the new enterprise is to "make a bundle." Among craftsmen entrepreneurs, it seemed a suitable way to escape from domination and unhappy on-the-job relationships. Among organizational entrepreneurs it was to achieve a goal, to achieve status, and to form new alliances which were seen as happier or more pleasant.

This suggests that communities wishing to encourage new enterprises



being formed within their own jurisdiction will need to allow for new forms to begin in their midst which displace old kinship and profit myth patterns. Assurance of profit is not enough. Perhaps governmental and academic enterprises have spurted ahead because status and new relationships were easier to acquire in these arenas than in the manufacturing or merchandising arenas. Palo Alto and Highway 128 are not accidents; they are contrivances which were emplaced with enterprise as their objective. It is in these locations that high talent and high status congregate.

In conclusion, then, the data described in this thesis strongly support the hypothesis that blue-collar people found business enterprises with limited administrative devices and organizational appurtenances, and the white-collar people with higher educational attainments and a modicum of managerial experience create business enterprises with much more elaborate administrative devices and broader organizational appurtenances. This thesis makes no judgment on the goodness or badness of this finding nor its effects in a free enterprise society. It does suggest, however, that the resulting organizational patterns have profound effects on a great number of people in diverse walks of life in this society.



APPENDIX I

BUSINESS FIRM OPERATIONS IN THE UNITED STATES

1954

4,752,000 Business Firms operating in the United States¹

New firms started between 1946 and 1957² averaged 400,000
(mostly in retail and service industries).

Firms that discontinued business 1946-1957² averaged 341,000.

Average gain each year, 1946-1957, was² 90,000.

¹Survey of Current Business (Washington: Office of Business Economics, United States Department of Commerce, June 1962), p. 24.

²Historical Statistics of the United States: Colonial Times to 1957, A Statistical Abstract Supplement (Washington: Bureau of Census, United States Department of Commerce, 1960).



APPENDIX II

NATIONAL POLLS

In two nationwide polls conducted by FORTUNE MAGAZINE, the respondents were asked whether they would like to go into business for themselves. In both polls approximately one-half of the employed respondents answered, "Yes." Those answering in the affirmative were then asked: "Do you think you will ever actually try to go into business for yourself?" This much more specific question was also answered affirmatively by fifty per cent of those asked.¹

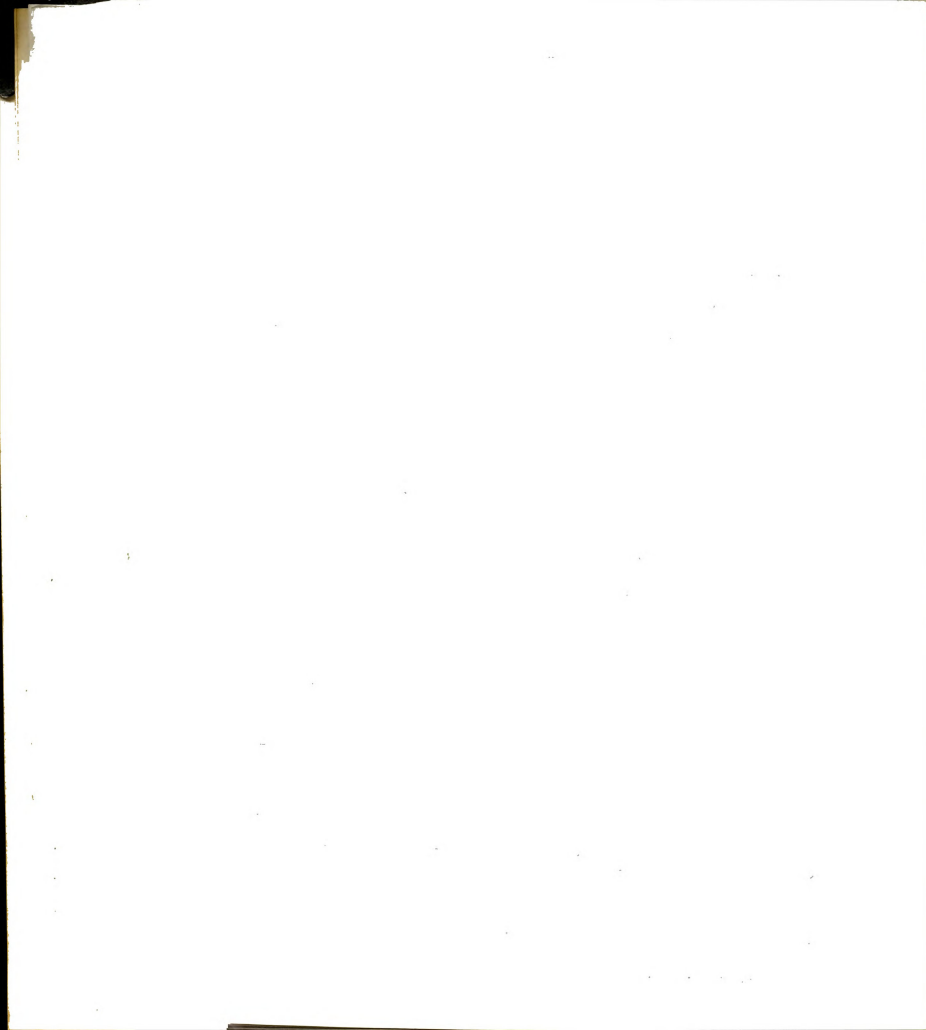
Data compiled by the University of California Institute of Industrial Relations in Oakland, California, in 1949-1950. . . show that both the desire for ownership and the actual attempts to realize this aspiration were greater among blue-collar workers than among those in white-collar occupations.²

Authors of this study interpret this differential between manual and non-manual workers as an indication that today the creed of individual business ownership has become largely a working-class goal. It is one of the few positions of higher status obtainable today by manual workers whose educational limitations preclude an executive or professional career.³

¹Fortune Magazine, XLV (February 1940), p. 28; also Vol. LII (January 1947), pp. 5-16.

²Seymour M. Lipset and Reinhard Bendix, "Social Mobility and Occupational Career Patterns," American Journal of Sociology, LXVII (January, March 1952), pp. 366 and 494.

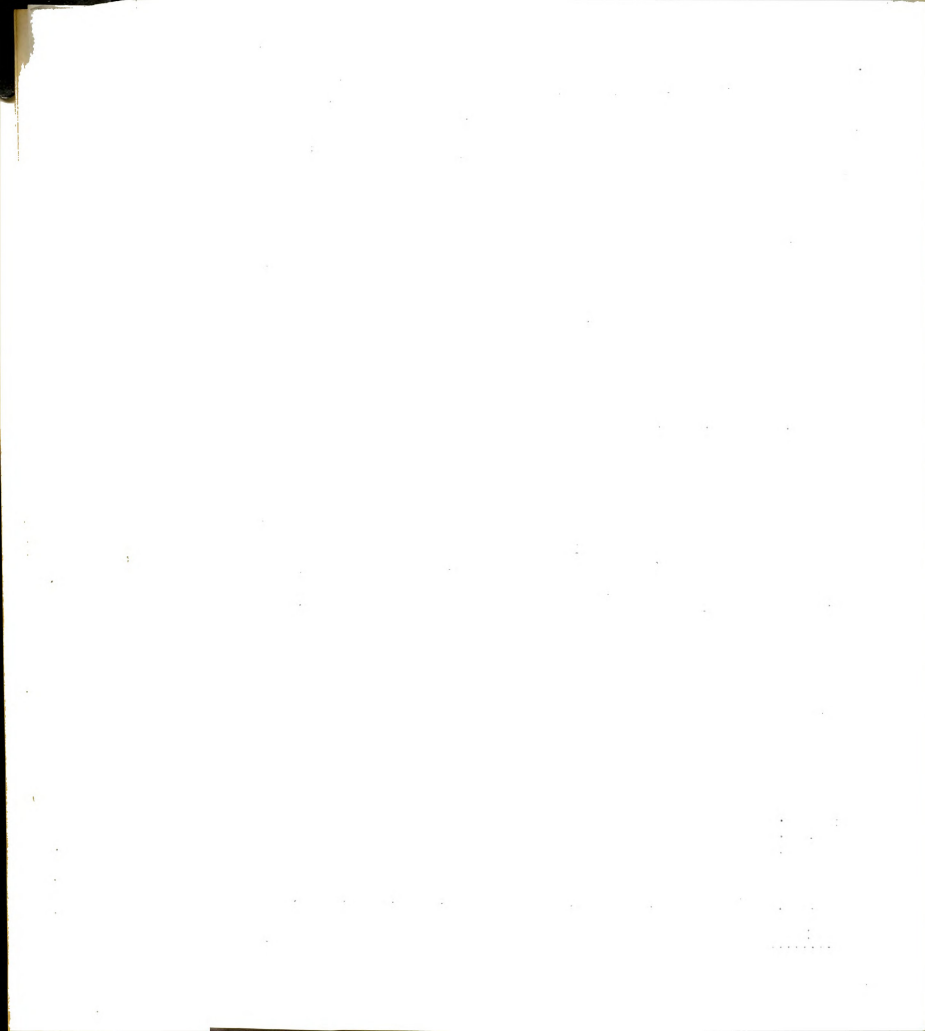
³Ibid., p. 501.



APPENDIX III -- ROSTER OF INTERVIEWS

No.	*Name of Entrepreneur	*Name of Company	City	Other interviewers	COMMENTS
1.	R.P.M.Lee	Book Records, Inc.	Benton Hbr.		Manufacture and distribute books recorded on disc records
2.	Andrew Straight	Straight Mfg. Co.	Benton Hbr.		Small plywood cabinets
3.	Robert Arno	Zip Die Casting Co.	Benton Hbr.		Large Zinc Die Casting
4.	John Lather	Lather Mfg. Co.	Benton Hbr.		Zinc Die Casting
5.	Robert Eve	Paradise Tool & Engr.	Lansing	Unwalla	Large tool and die engineering and fabricating
6.	Bob Blockby	B & B Corporation	Lansing	Mauer	Automotive body design and die maker
7.	Alfie Kurt	Wheeling Die Sinking Company	Lansing	Smith	Small Die Shop
8.	Abe Lapides	Auto-Shine Company	Lansing	Smith Unwalla	Waxes and cleaning compounds
9.	Dick Groan	Mars Corporation	Lansing	Mauer	Conveyor and highway sign fabricator
10.	Elioise Rivers	Foremost Mfg. Co.	Detroit	Unwalla	Large custom machinery shop

*By agreement with interviewees, all names above are fictitious



APPENDIX III -- Continued

No.	*Name of Entrepreneur	*Name of Company	City	Interviewers	Comments
11.	A. Zenon	Omega Machine Tool Company	Detroit	Smith	Machinery design and fabricator and steel cutting and inserting
12.	Farrell Pinkerton	Plastic Trinkets Corp.	Detroit	Smith	Plastic toy model manufacturer
13.	Jim Pernacki	Basic Industries	Detroit	Unwalla	Custom Machine shop
14.	Wm. Penna	Five Machines Co.	Detroit	Unwalla	Machine tool design and manufacturing
15.	Jay Bird	Auto-Trim Company	Detroit	Smith	Automotive trim
16.	Larry Auer	Auer Spring Company	Detroit	Smith	Medium and small springs used primarily in automotive industry
17.	Jack Seedy	BMT Stamping Co.	Detroit	Smith	Automotive spring dips and related items
18.	George Peach	Peach Door Co.	Detroit	Smith	Domestic steel garage door manufacturer
19.	Fred Green	Green Inter-Lakes Lines	Detroit		Ore carrier, bulk lake freighters

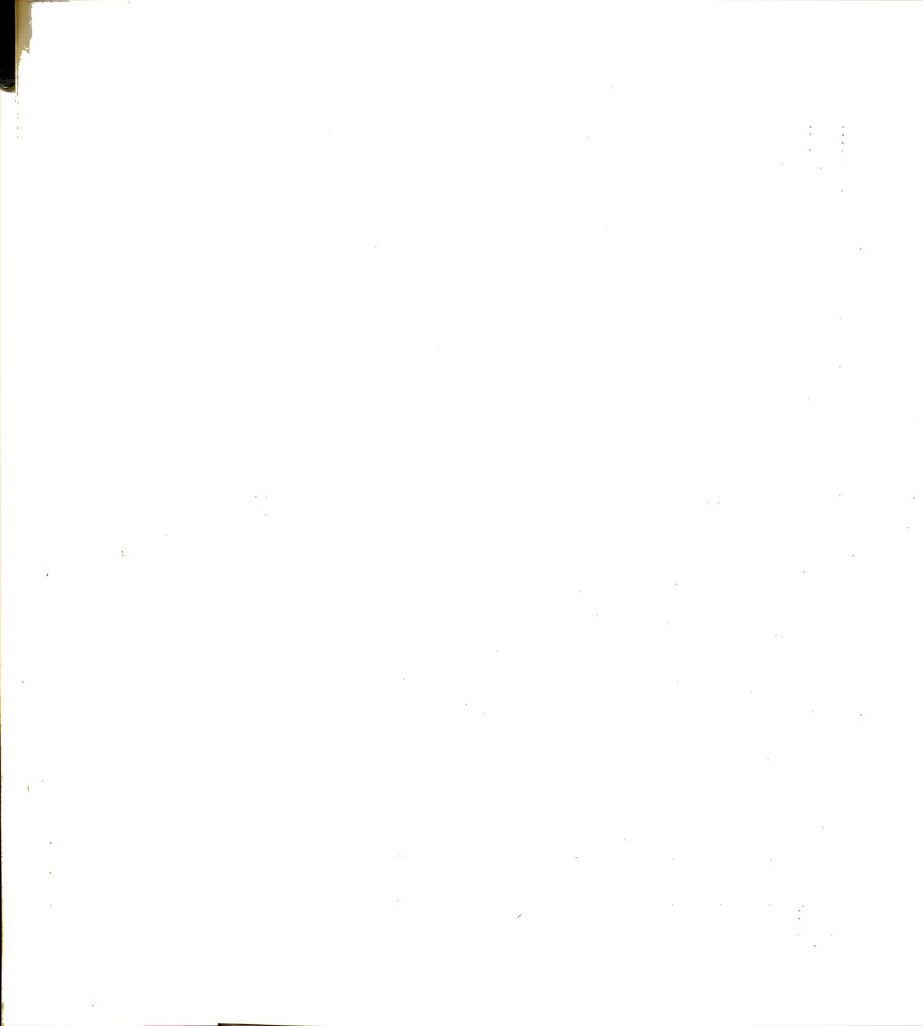
*By agreement with interviewees, all names above are fictitious



APPENDIX III -- Continued

No.	*Name of Entrepreneur	*Name of Company	City	Interviewers	COMMENTS
20.	Jack Dingle	Materials-Matic	Detroit	Smith	Conveyor fabrication
21.	Clark Gable	Gable Perforating Company	Detroit (Miland)	Mauer	Perforated sheet metal shop
22.	Jack Holden	Die-Electric Co.	Detroit	Smith	Specialty Machine Tool maker
23.	Mr. & Mrs. Myrtle Ham	Hiawatha Products	Detroit (Mt. Clemens)	Smith	Fishing rod manufacturer
24.	Joe Alexander	Alexander Corp.	Detroit	Mauer 2d in- terview	Scooter and household goods manufacturer
25.	Charles Minor	Minor Spline & Gear Company	Detroit	Smith	Custom gear manufacturer
26.	Fred Just	Just Tire Equipment Company	Detroit		Design & fabricate tire removal equipment
27.	Joe Wares and Norm Smith	Mid-Central Sand Paper Company	Detroit	Smith	Sandpaper and grinding wheel manufacturer
28.	Fred Gilbert	Mid-west Refractories Company	Detroit	Mauer	Low temperature industrial oven manufacturing
29.	Jack Outer	No-Peer Company	Detroit (Novi)		Steel & railroad specialty racks

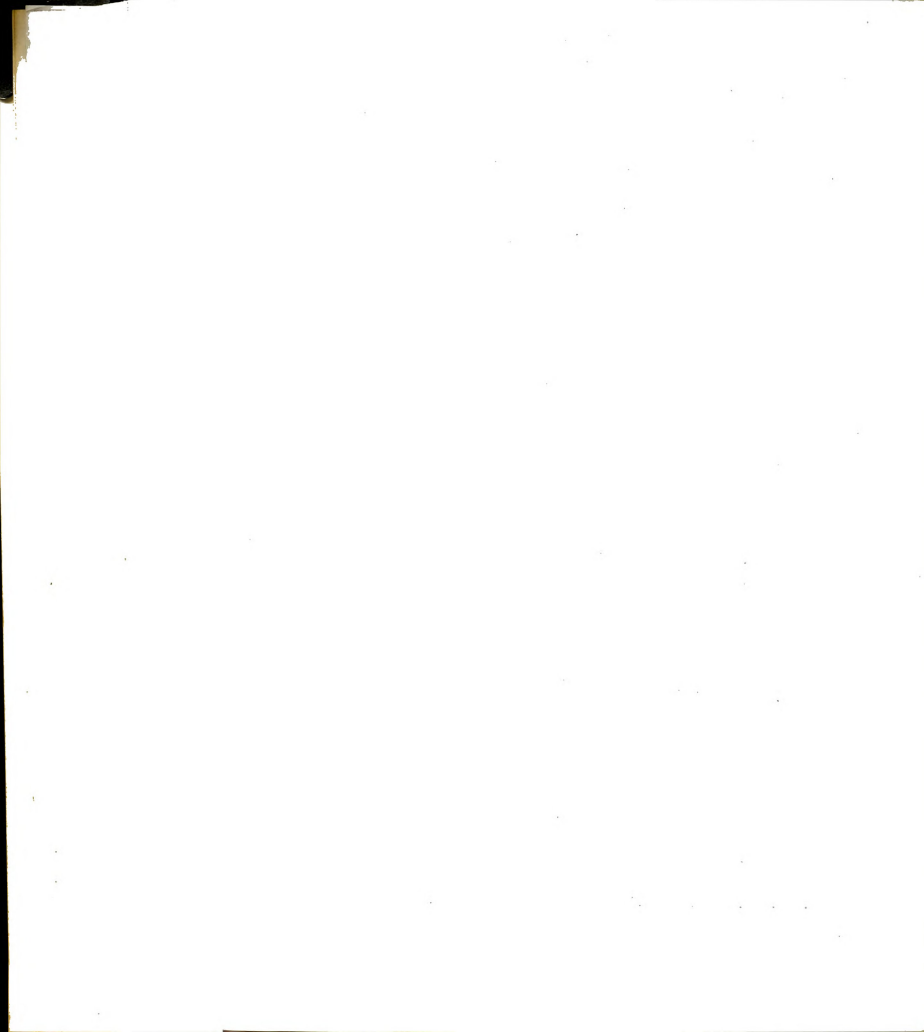
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APPENDIX III -- Continued

No.	*Name of Entrepreneur	*Name of Company	City	Interviewers	Comments
30.	Russ Himmler	Acme Boring Company	Detroit		Custom machine shop
31.	Jack Kiwi	Metal Benders, Inc.	Detroit	Smith	Sheet metal stamping & assembly
32.	Sam Aaron	On-Line Instruments Co.	Detroit		Specialized electronic instruments
33.	Charles Byrd	Byrd Industries and Plastics Company	Detroit		Plastics and truck running gear
34.	Albert Charles Dick Campbell Dean Novski Nelson Scroutan	Electronic Controls, Inc.	Detroit	Unwalla	Manufacturer electronic controls for welding machines
35.	Charles Fast	Lock-Tite Aluminum Company	Detroit	Smith	Semi-integrated aluminum fabricator
36.	Carl Norse	Norseman Broach Co.	Detroit	Smith	Broach fabricator

*By agreement with interviewees, all names above are fictitious



APPENDIX IV

ALPHABETICAL LIST OF INTERVIEWEES

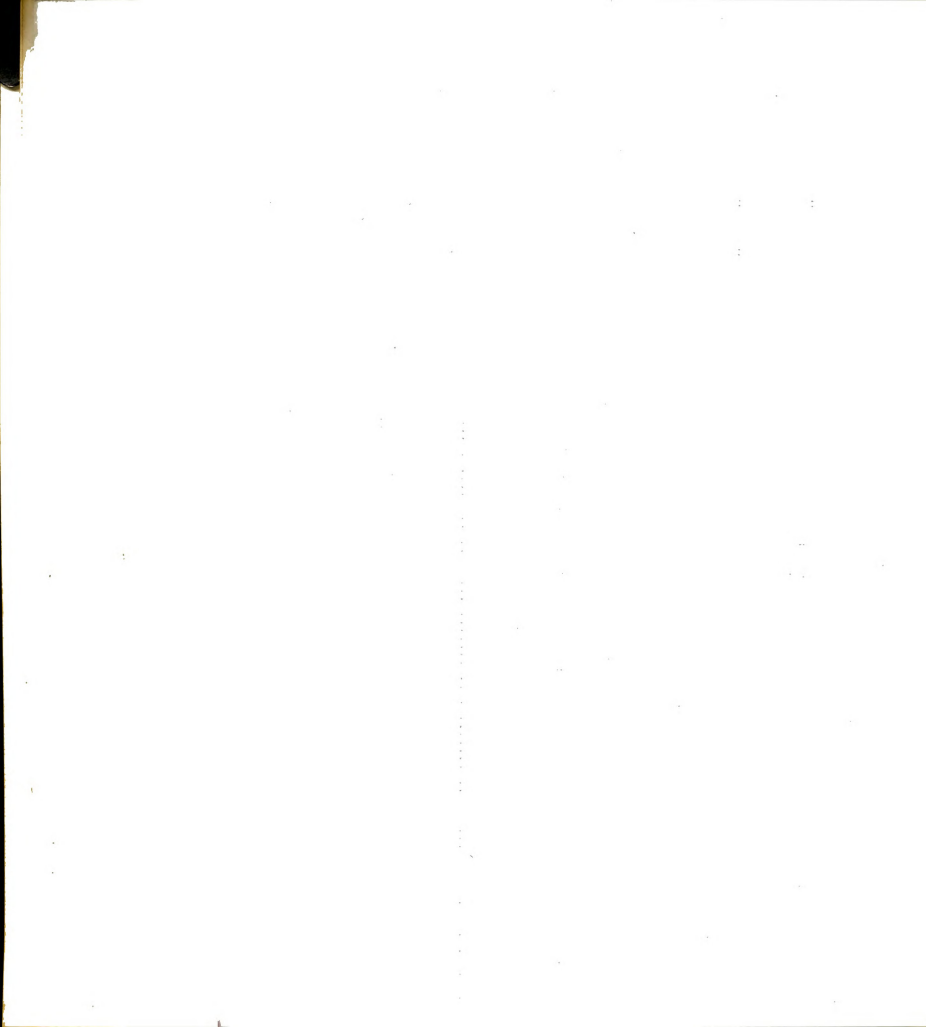
with Cross References to Tables V and VI and Appendix III

KEY: Class: "C" indicates "Craftsman Entrepreneur (Chapter II, p. 30)
 "O" indicates "Organizational Entrepreneur" (Chapter III, p. 61)

Table: Indicates Recapitulation Table No. V, page 122; and
 Recapitulation Table No. VI, page 124
 The number following V or VI refers to the listing number
 on each table

Appendix: Indicates Appendix III, page 137, "Roster of Interviews,"
 and the number given is the listing number for
 each interviewee in the roster.

Name	Class	Table Reference & Listing No.	Appendix III Listing No.
Acme Boring Company	C-1	V : 17	30
Alexander Corporation	O-2	VI : 10	24
Auer Spring Company	C-1	V : 10	16
Auto-Shine Company	O-2	VI : 2	8
Auto-Trim Company	C-1	V : 9	15
B&B Corporation	C-1	V : 5	6
Basic Industries	C-1	V : 8	13
BMT Stamping Company	C-1	V : 11	17
Book Recorders, Inc.	C-2	V : 1	1
Byrd Industries & Plastics	O-2	VI : 15	33
Die Electric Company	O-1	VI : 9	22
Electronic Controls, Inc.	O-1	VI : 16a,b,c,d,	34
Five Machines Company	O-2	VI : 6	14
Foremost Manufacturing Co.	C-2	V : 7	10
Gable Perforating Company	C-1	V : 13	21
Green Inter-Lakes Lines	O-1	VI : 8	19
Hiawatha Products	C-1	V : 14	23
Just Tire Equipment Co.	C-2	V : 16	26



APPENDIX IV -- Continued

See KEY on page 141

Name	Class	Table Reference & Listing No.	Appendix III Listing No.
Lather Manufacturing Co.	c-1	V : 3	4
Lock-Tite Aluminum Co.	0-1	VI : 17	35
Mars Corporation	0-1	VI : 3	9
Materials-Matic	c-1	V : 12	20
Metal Binders, Inc.	c-2	V : 18	31
Mid-Central Sand Paper Co.	0-1	VI : 11a,b	27
Mid-West Refractories Co.	0-2	VI : 12	28
Minor Spline & Gear Co.	c-2	V : 15	25
No-Peer Company	0-2	VI : 13	29
Norseman Broach Company	c-2	V : 19	36
Omega Machine Tool Co.	0-2	VI : 4	11
On-Line Instruments Co.	0-1	VI : 14	32
Paradise Tool & Engineering Co.	c-2	V : 4	5
Peach Door Company	0-2	VI : 7	18
Plastic Trinkets Co.	0-1	VI : 5	12
Straight Mfg. Co.	0-2	VI : 1	2
Wheeling Die Sinking Co.	c-1	V : 6	7
Zip Die Casting Co.	c-2	V : 2	3



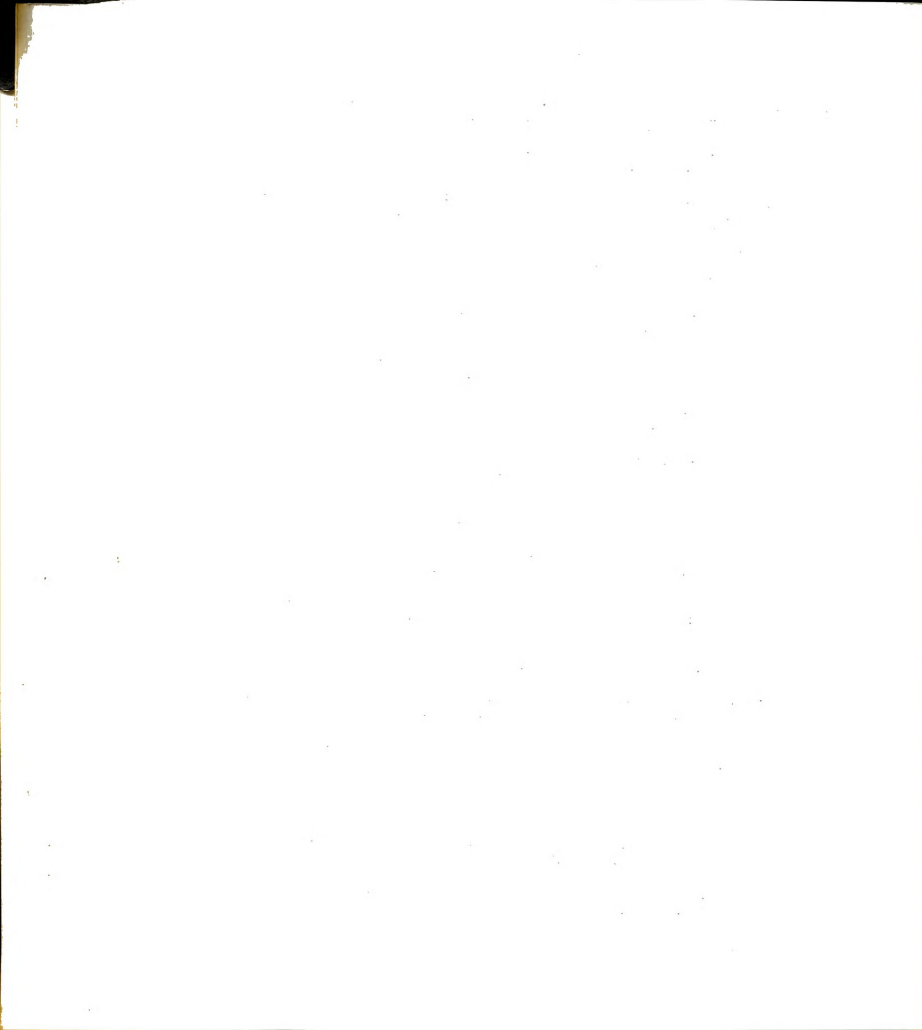
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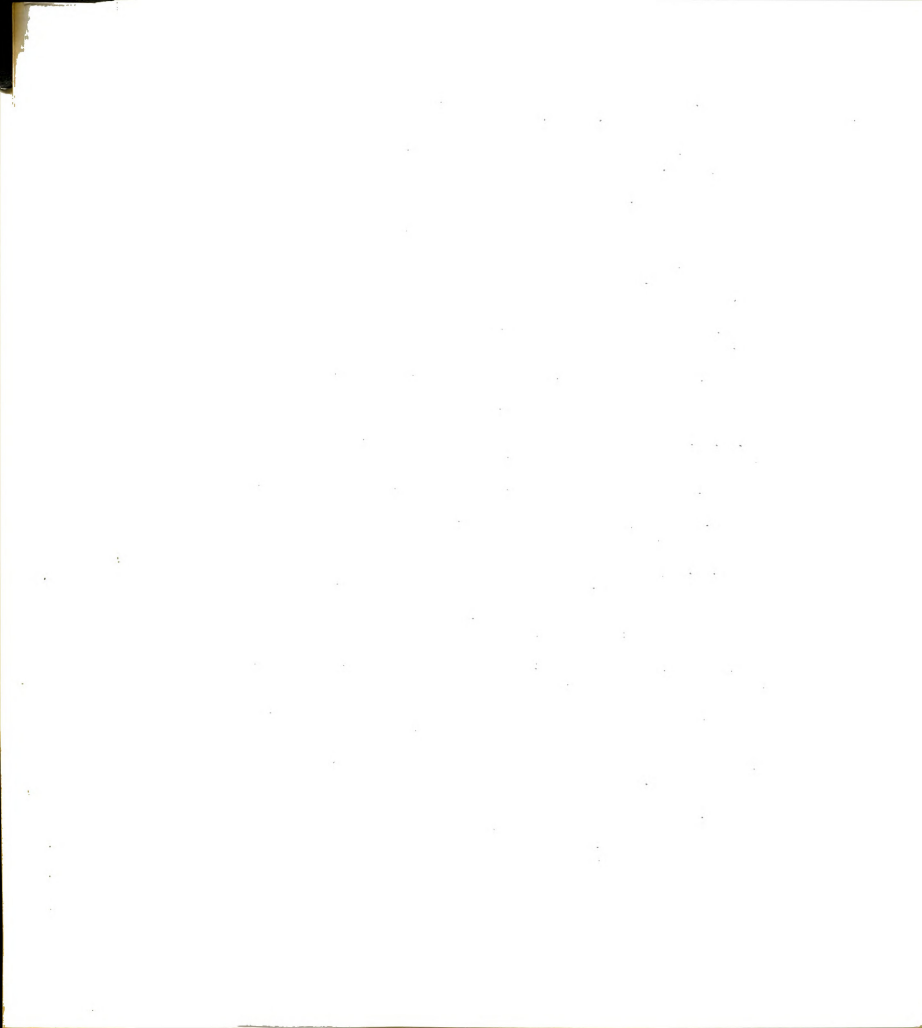
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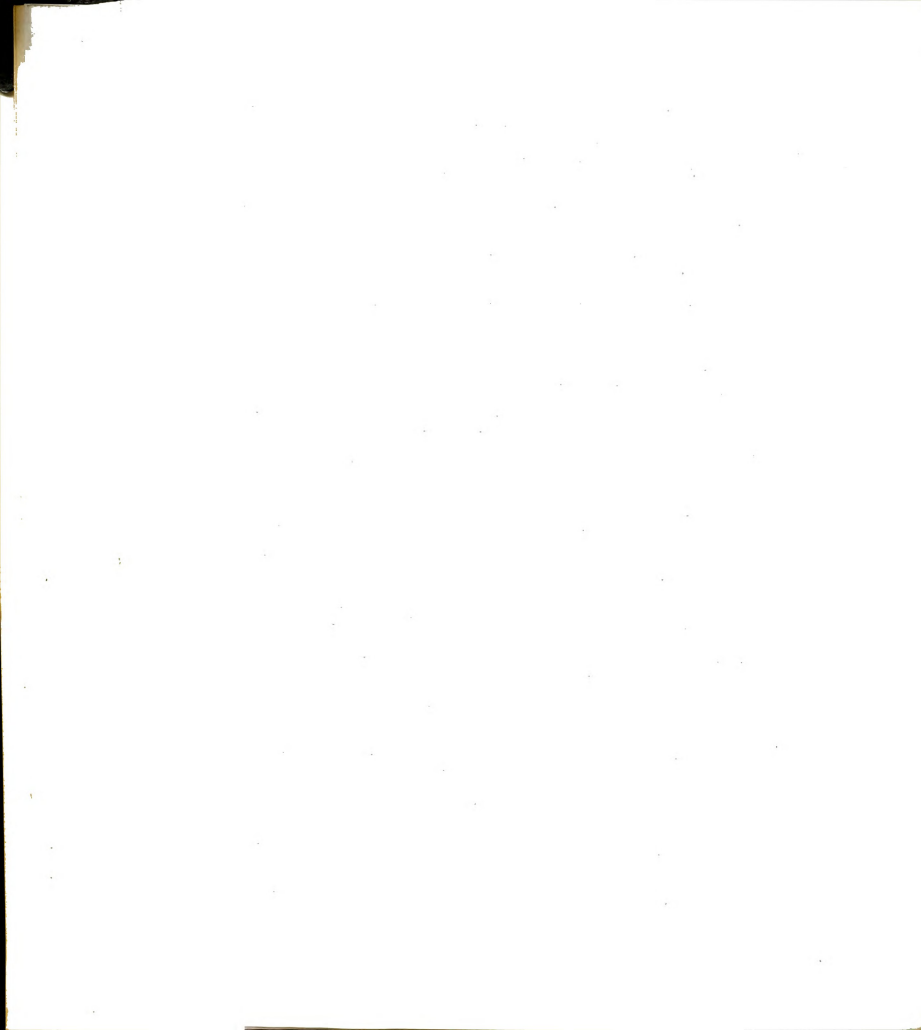
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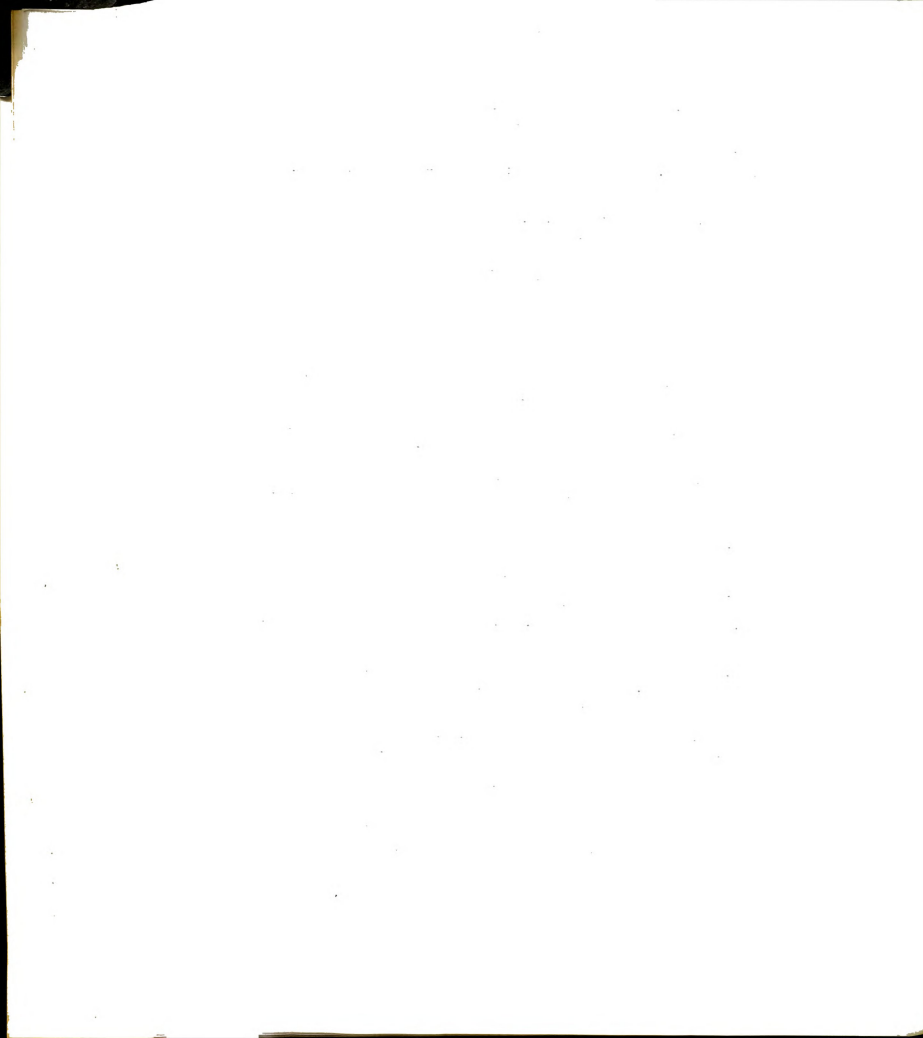
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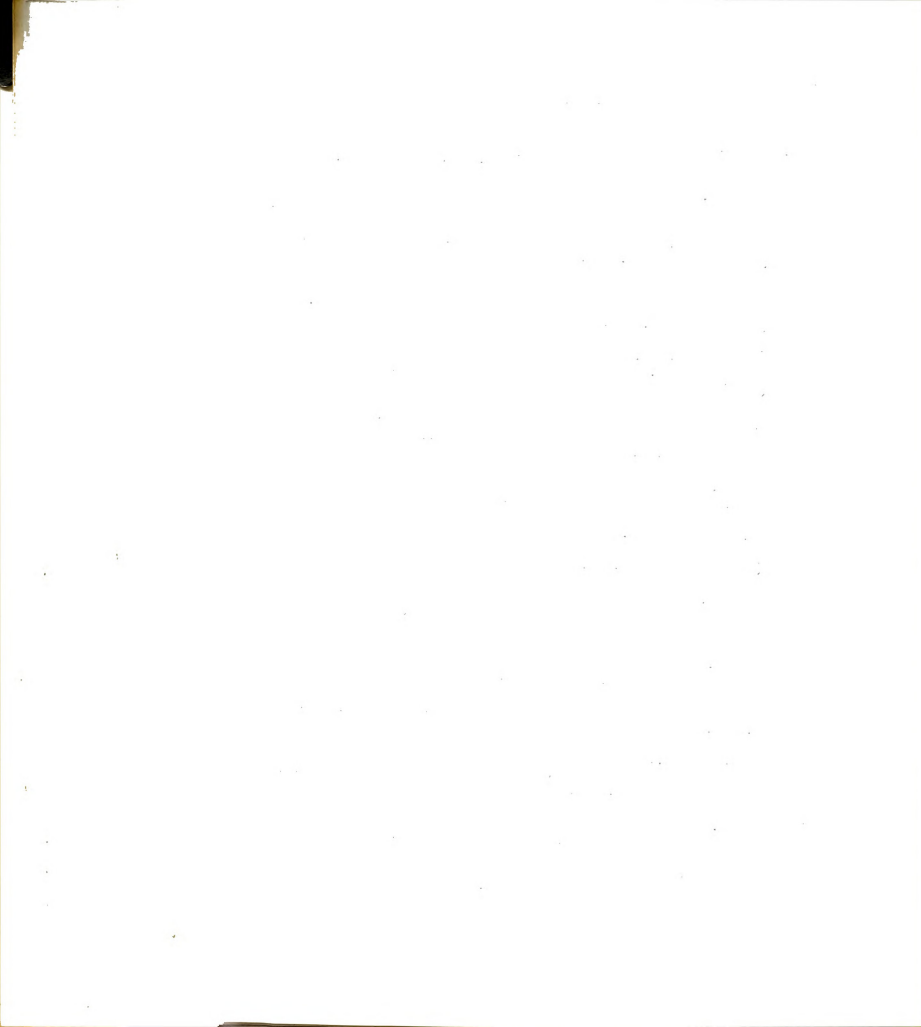


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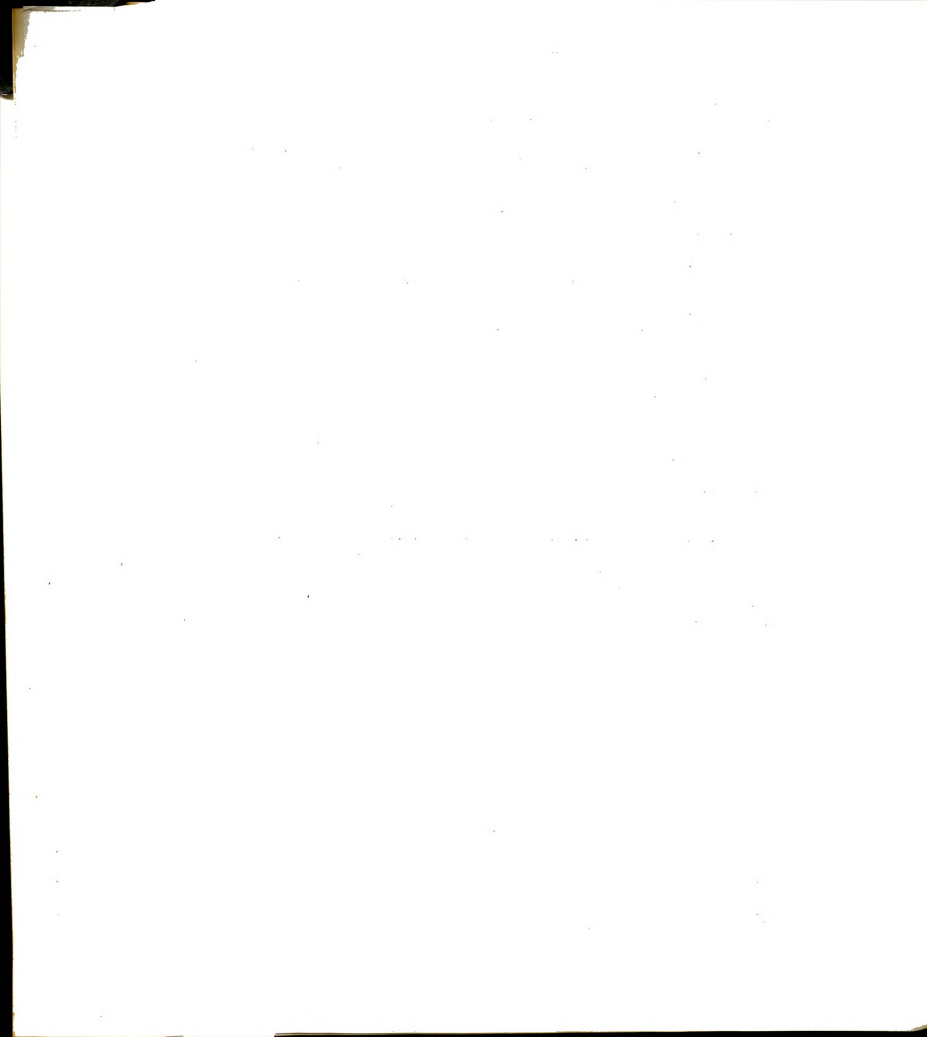


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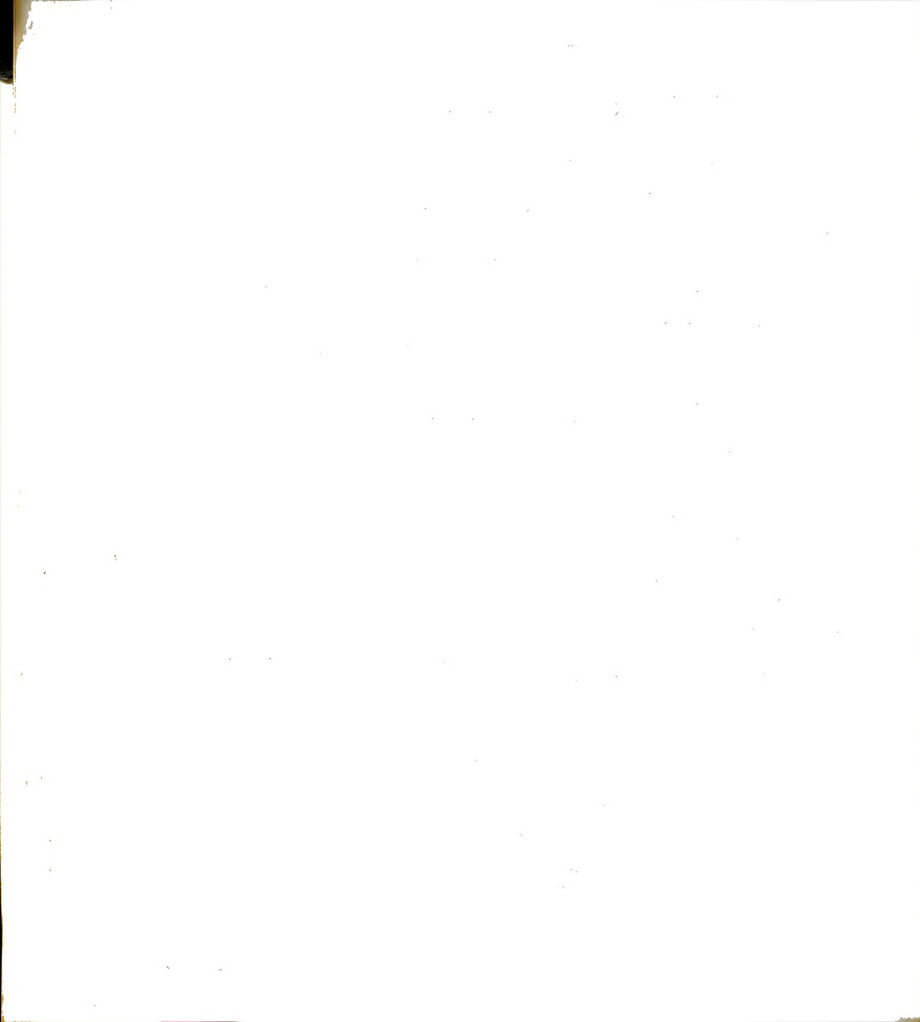
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