Organizational Psychology and the Rise of Human Resource Management

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Contents

Abstract

The purpose of this chapter is to explain the development of both human resource management and psychology. The major contention of this chapter is that both human resource management and psychology were created to supplement, but not supplant, Taylorism by providing a better understanding of social motives and tests to scientifically select workers.

Keywords

I/O psychology · Human resource management · Welfare capitalism · Human relations

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Introduction

In the previous chapter on Taylorism, I argued that Taylorism could be seen as an attempt to rationalize worker behavior based on new developments in knowledge, the rise of science, and a sense of idealism that knowledge transforms working and social conditions. In this chapter, I argue that the emergence of Taylorism leads to the emergence of human resource (HR) management. That is to say, the early proponents of human resource management recognized, like Taylor, the importance of workers in terms of production. Unlike Taylor, they recognized that Taylorism had underplayed social motivations and so sought ways to understand social influences. Like Taylor, early HR proponents recognized that workers had different skills and aptitudes, but unlike Taylor, they began to develop techniques to scientifically select workers based on mental abilities. Much like Taylor, early HR advocates also recognized the need for higher wages based on performance, but unlike Taylor, they also recognized the need for social interactions at work. In essence, they were on the other side of the progressive movement – one focused on the individual in society, rather than technical skill. They were competitors to and complements to Taylorism.

The development of HR took place in Germany, with the emergence of scientific psychology as a field of study in the nineteenth century, and continues to cast a shadow on contemporary psychology and management (Robinson 1995). Psychology was brought to the United States by émigré Germans (like Hugo Munsterberg) and American students (like Walter Dill Scott; Benjamin 2007). HR was adopted by Americans, such as Frank and Lillian Gilbreth, who wished to provide psychological techniques to better understand the workers' mental processes. The nascent field of human resource management was encouraged and legitimized by the United States experience of World War I (Kennedy 1980). Human resource management was both a progressive action and a conservative compromise to prevent radical solutions to industrial problems. Mostly, it was a modernist-inspired reform that occurred to improve social and working conditions by raising workers from their premodern, peasant work culture to the new modernist culture of plenty. Human resource management can be seen as a progressive reform attempt to address ongoing social problems. It also occurred because philosophers debated the relationship between individual and society, realism and idealism, and agency and determination.

The Rise of Psychology

While psychology has been studied for centuries but as a subset of philosophy (Boeree 2018), scholars did not believe it could be a science until the last 200 years (Benjafield 2010). This view was held by philosophers such as Immanuel Kant. General historical psychology studies, both popular and academic, start with the classical philosophers stretching from antiquity up to the nineteenth century, when psychology began to emerge as a distinct field. In fact, most of

the psychologists who set the general models of psychology (with the exception of B. F. Skinner) were born in the nineteenth century (Robinson 1995). Many of the early professional and academic psychologists had backgrounds in philosophy or medicine, which continued up to the career of Elton Mayo (Robinson 1995; Traihair 1984). Several important developments of the nineteenth century allowed for psychology to become a distinct field apart from philosophy.

The birth of psychology occurred in Germany and would spread to the United States during the period of 1870–1940 (Benjamin 2007; Benjafield 2010). Many of the concepts of human resource management would develop in Europe, but the greatest application would be in the United States. There are several drivers to this, but the largest was that reformers understood that American exceptionalism, the idea of a nation of small farms and providers (Lincoln's America), died during the Civil War (White 2017). The Civil War, and other events, aided in the interconnection of America through communication and transportation, and the emergence of bureaucracy provided the challenge to the Old America of small farms and businesses (Wiebe 1967). In addition, the proclamation of the end of the frontier by the federal government provided further ammunition for reformers that American exceptionalism had run its course. According to Daniel Rodgers (1998), America entered into an asymmetrical relationship with Europe to solve social problems. As Rodgers and others noted, America's contribution was Fordism – my contention was that American thinkers took European ideas and used them to create human resource management.

This genesis started with a rejection of the Kantian philosophy of science. Like many scholars of his generation, Kant believed that Newtonian models held the secret to science and that any true science should be based on Newton's work (Benjafield 2010). For Kant, this meant that science should be based upon mathematical models (Mischel 1967). Kant, however, did not believe psychology could ever become a science, like physics, and should be held as a philosophy (Benjafield 2007). His reasoning is that the processes of the mind were organized temporarily, unlike the physical world, which is organized spatially. Kant believed that the processes of the mind could not be studied mathematically as they changed too quickly. However, Kant also recognized that the progress of science could change commonly held nostrums.

German scholars of subsequent generations could challenge Kant's arguments. What Green et al. (2001) called the "transformation of psychology" occurred due to scholars understanding that psychology could be studied through mathematics and then through experimentation. J. F. Herbart, who took Kant's position at the University of Konigsberg, was one of the first to recognize that ideas could facilitate each other the same way that physical forces could. These forces could also vary, like physical forces, in their intensity. Therefore, if ideas mirrored physical forces, then they could be studied mathematically. G. T. Fechner built on these ideas by developing an approach to psychology that could be considered truly scientific (Benjafield 2007). Fechner developed psychophysics which held that we could develop a mathematically precise relationship between "stimulation and sensation that could be tested through experimental data" (80). In addition, Fechner understood that

outside forces can influence the mind – basically the relationship between stimulation and recognition.

Another important contribution to emerging psychology was the work of Charles Darwin, the father of evolution (Benjafield 2007). The concept of evolution rebutted the medieval world ideas of the time which argued that God had organized the world into hierarchies and those hierarchies were immutable. Darwin observed that species can evolve and change. Darwin preached the concept of natural selection and survival of the fittest which stated that the worthy would be more likely to pass their genetics onward to the next generation (Benjafield 2007). Darwin's concept meant that humanity was not bound by God's limits, but could evolve and change. Darwin's concepts meant that humans could be studied and modified to fit the needs of society (Goldman 1952).

Another important outcome of psychology's emergence as a science was the development of laboratory psychology. If psychology could be reduced to mathematical terms, then it could be studied like other sciences (Robinson 1995; Benjamin 2007). The origin of this type of study occurred in Germany, which was at the forefront of laboratory research (Benjamin 2007). Wilhelm Wundt led this movement and would become the founder of modern psychology. The reason why scholars have provided him with this honor is due to the fact that Wundt melded philosophy with physiology through the use of "that enduring motif" of modern psychology, the laboratory (Capshew 1992). Wundt's laboratory psychology sought to understand how elements of the conscious experiences could lend themselves to mental aggregates that could be studied. Wundt also influenced and mentored many psychologists including G. Stanley Hall, James McKeen Cattell, Walter Dill Scott, and Hugo Munsterberg, who holds the title of the first applied psychologist.

Wundt's contemporary and rival was William James, the Harvard psychologist and philosopher, who created the first psychology lab in 1874. Whereas James's lab was one of demonstration, Wundt's was one of research (Benjafield 2010). Yet James made three contributions to psychology. The first one was the concept of habit in that people perform activities that are consistent, distinct, and similar that emerge from adaptation to the environment. James, along with his contemporary John Dewey, argued that thought must lead to action. Second, James further developed Kant's idea of understanding (e.g., demonstrating that experience was a condition of knowledge) by arguing that knowledge interacts with the environment rather than just being a reflection of it (Kloppenberg 1986). Third, James, the father of pragmatism, forced scholars to consider the practical implications of actions – which is that knowledge should be tested to be verified (Gutek 2014).

Another important development of the nineteenth century and early twentieth century was the transformation of knowledge that recognized a midpoint between idealism and empiricism. Much like Taylor's work, which held that work could be quantified, scholars of what Kloppenberg called the via *media* developed ways to enable psychology to be studied. These scholars were Wilhelm Dilthey, Thomas Hill Green, Henry Sidgwick, Alfred Fouillée, William James, and John Dewey. Firstly, they rejected the idea that humans were bound by invisible forces that constrained and defined human interaction. The previous generation believed, like Abraham

Lincoln, that they were controlled by events (Donald 1995). However, the post-Civil War generation believed that people had agency. As Kloppenberg noted these intellectuals "revealed that freedom is an irreducible part of immediate experience that neither science nor metaphysics can challenge or explain away" (412). This meant that individuals could be melded and reformed. It also meant that people were not a singular group bound by original conditions. Yet they also recognized that people were connected by history and society through a web of relationships and circumstances; an "idea that social relations are a fundamental part of individual life altered the meaning of individuality by excluding the possibility of prosocial or nonsocial experience on which so much earlier political theory relied" (412). This meant that individuals could be studied as groups because society existed rather than everyone being a distinct individual.

One of the questions was the influence of outside forces on individuals. James was distressed by the deterministic nature of Wundt's psychology, and his exposure to it placed him in a malaise that lasted for a period of 5 years (Kloppenberg 1986). Their argument was over Darwinian concepts. Wundt believed that human behavior was determined by its environment and was not changeable. Yet James was able to resolve this issue by reading poetry of Wordsworth, who, according to Kloppenberg (1986), convinced him that free will was not an illusion. James took it a step further – noting that free will and determinism was a false dichotomy. Individuals are free to choose, but they are also defined and constrained by outside forces. In fact, adaption to those outside forces is a concept that people were able to survive. This concept became what Eric Goldman (1952) called "reform Darwinism," in that the use of knowledge and science can liberate individuals from their current status as there is no natural law that stated they had to be that way forever.

Goldman's concept of "reform Darwinism" and via *media* could refer to the idea of government reform, and, in fact, both are cornerstones of modern liberalism and social democracy (Kloppenberg 1986). However, both concepts could refer to the application of social science at solving society's problems. Indeed, the modern fields of social work, psychology, sociology, and management all have their genesis during this time period. Part of the reformers problem was to maintain the benefits of the new world of machination and factory while reducing some of the worst examples associated with it. For this reason, a multitude of scientists sought to solve problems through reform. Compassion for the poor, driven in part by Christian morality, secular humanism, and modern science, motivated reformers (Link and McCormack 1983). Their target was the working class, whose conditions made them a prime place for testing new concepts. The concept of intersubjectivity, that is, humans discover their true selves in interactions with others, would underline much of the concept of human resource management. Workplace reform has been given a short shift in traditional studies of the progressive movement. Yet the modernization of work could be seen as providing similar problems as reforming the working class. According to Bruce Kaufman (2008), the emergence of human resource management took place because workers needed skill development and training and socialization to the new work environment and businesses needed scientifically developed selection techniques in order to select workers. In other words, it reflected the reform

instincts of the progressive movement. As I mentioned before, management could be seen as providing modernization to the workplace, in order to overcome the pre-modern nature of work habits.

Great Apart, Better Together: The Gilbreths

Frank and Lillian Gilbreth made tremendous contributions to the field of management over the course of their careers. The timeline of their contributions was incomparable. From the 1890s until the early 1970s, both Frank and Lillian, sometimes together, sometimes apart, made significant and far-reaching contributions to fields as disparate as construction, sports, office work, healthcare, and the modern kitchen. It was a testimony to their greatness that in Wren and Hay's (1977) evaluation of management thinkers, Frank is placed third and Lillian, fifth. Although they faired more poorly in Heames and Breland's (2010) reconsideration, both Gilbreths still cast a large shadow upon the field of management. Frank achieved greatness before Lillian and Lillian, after Frank died. But they worked better together. Their contribution was to combine efficiency engineering with humanism – in essence helping our modern understanding of human resource management (Mousa and Lemak 2009) and modern production, such as the Toyota system (Towill 2010). In fact, the timelessness of their viewpoints is why scholars still recommend Gilbreths' work to improve ongoing work and social problems, such as healthcare (Towill 2009). Their guiding light was efficiency both at work and at home (Bedeian and Taylor 2009), a common refrain in the Progressive Era (Haber 1964). Perhaps the reason why they were attracted to each other was that they shared the same goals and a recognition that they could accomplish more together than they could apart. In many ways, they were like another couple at the time, Sidney and Beatrice Webb, in that they had the spirit of reform coursing through their lives (Himmelfarb 1991).

Frank Bunker Gilbreth (1868–1924) was born to a New England family, whose roots traced back to the Colonial times (Gibson et al. 2016b). Frank was the third child born to a prosperous hardware store owner and his wife. Frank learned the Yankee principles of thrift and hard work from his parents. His father died from pneumonia when Frank was 3, and Frank's mother either mismanaged the inheritance, or more likely, it was stolen from them by Frank's paternal relatives (Lancaster 2004). This devastated the family, forcing Frank's mother to open a boarding house in Boston. Yet there was a benefit to this; Frank and his sisters were able to attend some of the best public schools in the country (Yost 1949). However, Frank was a poor and indifferent student – but he excelled in mechanical, science, and math classes (Gibson et al. 2016a, b). Frank also demonstrated an ability in drawing and writing – which, according to Gibson et al., would be a major benefit to him when he later became a consultant. Frank's grades improved enough to the point where he was able to gain admission to the Massachusetts Institute of Technology. However, Frank made the decision to turn down college to work in construction.

Gilbreth's mechanical skills and choice of a career were not unusual; building tradesman was often paid higher than other professions. Gilbreth advanced rapidly,

learning every part of the construction job, designing his own techniques, and building scaffolds, and within 5 years was a superintendent of the company and, 10 years after he started, the chief superintendent of the company (Wren and Bedeian 2018). Gilbreth's attention was peaked when he noticed that Tom Bowler, the "star bricklayer," taught Gilbreth three different ways to place bricks. This encouraged Gilbreth to understand that there could be an optimal way to work, and he took steps to find that way. He also realized that proper supervision, training, and incentives would allow men to work and produce more. Unlike Taylor, Gilbreth joined the American Federation of Labor and sought to have a strong relationship with organized labor (Gibson et al. 2016a, b). Lillian would also agree with Gilbreth and against Taylor about workers motivations and needs (Graham 2000).

When Gilbreth failed to make partner in the construction firm, he started his own firm which quickly became a success. Gilbreth already owned patents on the Gilbreth Waterproof Cellar which prevented leaks during construction, Vertical Scaffold which allowed for bricks to be moved, and a concrete mixer whose sales were very helpful during the early years of his company. Due to his innovations, he was able to dramatically reduce prices. According to Gibson et al. (2016a, b), Gilbreth's company built factories, power plants, and canals where his "cost plus fixed sum" bidding system, albeit controversial, provided him with a competitive edge against the competition (as well as numerous court appearances). His success made him very famous, and he had an office in London, where he consulted with the British admiralty (Wren and Bedeian 2018).

In 1903, Frank Gilbreth met Lillian Moller Gilbreth (1878–1972) who would become his wife, academic partner, one of the first industrial/organizational psychologists, and the first lady of management (Wren and Bedeian 2009). Lillian was the 2nd of 11 children born to middle-class German-American parents. Lillian had been homeschooled for several years until she started first grade at the age of 9, making her older, better educated, and shyer than her classmates. Her parents opposed sending Lillian to college, but due to the influence of her aunt, Lillian was able to convince her parents to attend college, but only at the University of California at Berkeley (Gibson et al. 2015). For her masters, Lillian went to Columbia University to study English. Unfortunately for Lillian, the professor she wished to study with would not take female students or even allow them in his class. Fortunately for management, Lillian took a course under Edward Thorndike, who developed in Lillian a passion for psychology (Gibson et al. 2015).

Fate intervened when Lillian fell ill, having to leave Columbia to complete her master's degree at Berkeley. Lillian's drive for a career was due in part in her belief that she was unattractive and had little to offer the opposite sex. Her career goal was to become a college dean. When the "shy" Lillian met the "ball of energy" Frank Gilbreth (Gibson et al. 2015), Frank provided Lillian with a confidence that she did not have before; her decision to focus on management was due to her marriage – although her prior experience with Thorndike played a role as well. For Frank, she provided a new dimension to management – psychology. Lillian would complete the equivalent of two doctorates (Wren and Bedeian 2018). Her work at Berkeley would become *The Psychology of Management*, one of the first books on industrial and

organizational psychology (Gibson et al. 2015). But she was denied her degree due to a residency requirement. However, she completed her dissertation at Brown University with her dissertation on eliminating waste in teaching.

The combination of both psychology and production efficiency produced a cutting-edge version of management – in some ways similar, but even more advanced than some of the recent techniques devoted to quality (Mousa and Lemak 2009). Frank Gilbreth understood, more than even Taylor, that the implementation of scientific management would be more difficult than Taylor thought. Lillian provided the psychology background that would strengthen the relationship between scientific management and psychology. While both Frank and Lillian were concerned with waste in industry, they also took a broader societal perspective on the nature of waste and inefficiency in all aspects of life (Graham 2000).

To summarize, the contributions of the Gilbreths are as follows: according to Krenn (2011), the Gilbreths' book, *The Fatigue Study*, combined the study of scientific management's concerns with the physical aspects of work with the psychological aspects of work. According to Gibson et al. (2015), the most notable contribution of the Gilbreths was that:

> While supportive of Taylorism, Lillian and Frank believed that it lacked a human element, which Lillian was able to introduce based on her academic training in psychology and understanding of scientific management. Her methods included capitalizing on individual skills and satisfactions by using psychology to develop the work experience, and this was the basis of her thesis "The Psychology of Management." Lillian brought the training, insight and understanding to move the human aspect of the scientific management effort forward by recognizing that workers need to feel included in the decision making, be interested in their work by applying relevant skills and have a sense of job security. She acknowledged that satisfaction varies among people and championed the idea that workers should be treated fairly.

Accordingly, they expanded on Taylor's notions of training to include considering the satisfaction of workers.

The Gilbreths had a complicated relationship with Taylorism. Both Gilbreths were disciples, peers, and rivals of Taylor (Nadworny 1957). They agreed with Taylor for the need to develop of a science of work to promote efficiency in order to reduce waste and increase production (Dean 1997). They also admired many aspects of Taylorism – but they sought to develop and further the structure. While Taylor recognized the need for a mental revolution, the Gilbreths took steps, through Lillian's psychological background, to help make that mental revolution happen (Gibson et al. 2015). Gilbreth also believed that motion study was superior to time study as a means of increasing production. For his part, Taylor supported some aspects of the Gilbreths' work, but he also doubted that Frank Gilbreth would spend the time needed – according to Taylor 4–5 years – to fully implement Taylorism. Also, Taylor believed that Frank Gilbreth cut corners and hurt their relationship with one of their clients (Wren and Bedeian 2018). Although a public reconciliation happened between the Gilbreths and the Taylor Society, they remained adversaries.

Munsterberg, Scott, and Van Dyke

Other scholars recognized the importance of psychology to the field of work (Van De Water 1997). The pre-World War I era saw a blossoming of psychology research on applied questions. The shift of psychology was now from the laboratory to the factory, school, household, and even the mud and trenches of World War I (Benjamin 2007). The branch of psychology that worked with management is industrial-organizational psychology (I-O), which is the psychological study of work. The relationship between management and psychology continues to this day. Psychologists regularly published in such high-quality journals as the *Academy of Management Review* and the *Journal of Management*; management scholars publish in the *Journal of Applied Psychology* and *Personnel Psychology*. Some top management scholars, such as Edwin Locke, hold degrees in psychology.

There are three psychologists who can lay claim as the first I-O psychologist: Hugo Munsterberg, Walter Dill Scott, and Walter Bingham Van Dyke (Van De Water 1997; Benjamin 2007). Each man combined scientific rigor with entrepreneurial activity (Van De Water 1997). As Van De Water (1997, p. 487) noted:

> Applied psychologists' self-promotion in a wide variety of media targeted the general public, government, business people, and skeptics in the academic community. These applied practitioners soon established themselves as professionals by means of new journals, independent membership organizations, educational institutions, and even private companies offering psychological services. This combination of internal and external forces helped transfer industrial psychology from a few individuals' visions into larger, self-perpetuating institutions.

Their goal was correcting Taylorism. Taylor had promised management a mental revolution and a solution to societal unrest (Nelson 1980, 1995). Unions complained that scientific management eliminated the need for collective bargaining and that some of their findings were less than scientific (Nadworny 1955). I-O psychology replaced many aspects of Taylorism with a more thorough understanding of human motivation and better testing (Van De Water 1997). Yet it was also true that psychology absorbed most of the traits of scientific management, including the preoccupation with efficiency (Baritz 1960).

Hugo Munsterberg was an academic star, whose light once shone brightly in the academic firmament, but his reputation is now a burnt-out husk. At one time, Munsterberg's opinion was sought by companies, politicians, professors, and reformers, but when he died, he was the most hated man in America (Hale 1980; Keller 1979). Benjamin (2000) noted that in Munsterberg's papers, there are four full folders of hate mail. Yet despite this, Munsterberg is the leading candidate for the title of the father of industrial/organizational psychology (Landy 1992). For most of his career, Munsterberg was recognized as a preeminent psychologist. His fame and renown was such that Harvard spent several years courting him. Munsterberg provided comments on many aspects of life whether it was jury selection, vocational guidance, educational matters, and even film (Spillmann and Spillmann 1993; Porfeli 2009). Yet his own value as a scientist was consistently undermined through

a combination of his own arrogance as well as his pro-German stance around the time of World War I (Landy 1992). Munsterberg lost some of his professional standing due to feuds with Wilhelm Wundt and William James (Landy 1992; Spillmann and Spillmann 1993; Benjamin 1997).

His pro-German stance during World War I won him little credit from his contemporaries. Munsterberg was aggressive, arrogant, and imperious. Munsterberg was frequently known to attack colleagues in print – not by name, but by implication, a practice unknown to American psychologists at the time (Benjamin 1997, 2000). Professionally, Munsterberg did not present his ideas in a scientific manner; he often used testimonials. Landy (1992) summarized the attitude of the next generation of scholars:

> Burtt recalled that Munsterberg was an idea man and excellent in experimental design and instrumentation but not very good at statistics. This description is confirmed by others (Hale 1980). It was this weak empirical base that most likely led to the less-than-positive views of the next generation of industrial-organizational (I-O) psychologists as represented by Viteles, Kornhauser, and others (e.g., Viteles 1932).

Despite being recognized as the top psychologist at the time of his death, his reputation was in complete tatters 3 years after he died (Landy 1992). By 1919, less than 3 years after his death, there was hardly any reference to any of his more than ten books and dozens of articles in basic and applied psychology. Landy's own review of citations from the *Journal of Applied Psychology* bears this out. If Lewin died in the midst of things, Munsterberg died at the end of things. In fact, his death saved him from prison, a fate that many dissenters of war suffered (Kennedy 1980).

Yet Munsterberg's contributions to management were many and varied. Munsterberg commented on a wide variety of topics including juries, hypnosis, African Americans, and Christian Science, but it was to the psychological side of management where Munsterberg made his most dynamic contributions (Spillmann and Spillmann 1993; Benjamin 2000). Munsterberg was forced to go into applied psychology and industry due to his feud with James (Van De Water 1997). Munsterberg's prime focus was on work sample testing and aptitude testing. He was one of the first to introduce the concept of validation to work samples – seeking to make sure that his tests accurately reflected both measure and theory. Munsterberg developed tests with content and construct orientated validity. For some jobs, his tests were holistic; for others, they were detailed and complex. Unlike one of his rivals, James McKeen Cattell, Munsterberg would change his tests to reflect the needs of his clients (Van De Water 1997). Through the use of these tests, Munsterberg gained a sense of renown that helped to replace some of the luster of his failed position at Harvard (Landy 1992).

Munsterberg's great challenger to the title of "father of I-O psychology" is Walter Dill Scott, who many in America believe is the real father (Vinchur and Koppes 2007; Benjamin 2007). Much like Munsterberg, Scott was both an entrepreneur and a student of Wundt. Unlike Munsterberg, Scott was a skilled politician, who would become a University President at Northwestern and would win a Distinguished

Service Medal. Scott did make several contributions to management, but he is primarily known as the expert in the field of advertising, where he developed the notion that consumers are irrational and prone to manipulation through suggestion (Kuna 1976). For example, for a food advertisement, the consumer should be able to taste the food; for a piano, they should hear the music. Scott also devoted his interests to I-O psychology and personnel management in particular. In 1903, Scott published, according to Ludy T. Benjamin (2007), the first book on I-O psychology, which was a compilation of his work on advertising. Scott's (1910) book on personnel management was one of the first works on the subject. According to Lynch (1968), Scott's concern was with the motivation and selection of workers, topics he believed were given scant research and attention previously. Scott argued that one of the principle concepts that managers should create should be loyalty. But Scott reasoned, unlike Taylorism, that loyalty needed more than fair wages and good working conditions. Anticipating Mayo, the human relations movement, and work on social exchange, Scott argued that managers should take a personal interest in their workers. Scott's greatest contribution to psychology would be his work for the United States, where he helped to mobilize three million men, in what would become the world's most powerful army. He was the one psychologist recognized by his government for his war efforts (Von Mayrhauser 1989).

Walter Van Dyke Bingham (Vinchur and Koppes 2007) was another psychologist who made important contributions to I-O psychology. Much like Scott, Bingham was an empire builder. He served as head of the Division of Applied Psychology at the Carnegie Institute of Technology, where he recruited Scott and others. According to Van De Water (1997, p. 490):

> Under Bingham's direction, the Applied Psychology Division at Carnegie Tech soon offered graduate degrees and drew corporate support for an additional Bureau of Salesmanship Research. This cooperative business-college venture was headed by Walter Dill Scott in 1916, making him the first to bear the label professor of applied psychology in the United States. Overall, the founding of Carnegie Tech opened the commercial sector as a source of funds for psychology research and spawned a new generation of students specializing in industrial psychology.

Bingham's primary contribution was to help develop aptitude testing for both business and the military, becoming one of the creators of the alpha and beta test (McGuire 1994). The emergence of the *Journal of Applied Psychology* illustrated the development of this field of study.

One last psychologist who warrants consideration as the first I-O psychologist was Morris Viteles, who was a University of Pennsylvania psychologist (Viteles 1967). Viteles was considered to be one of the prime and early examples of the practitioner-scholar model (Knopes 2014). Viteles's work with the Yellow Taxi Company is considered to be a classic in the field (Mahoney 2014). Viteles asked one of the prime questions of modern life: Who is a better driver, men or women? Viteles and his coauthor Helen Gardner found that both men and women believe that their sex is the better driver. But what Viteles and Gardner found (Mahoney 2014, p. 102) was that differences in driving ability were the result of "training, experience,

and exposure to hazards may differ between men and women." Viteles's prime work would be his book on *Industrial Psychology* (1932). According to Mills (2012a, b, p. 41):

> Beginning almost immediately after its publication and continuing for some time, Viteles's text was considered to be the new bible in the field of industrial psychology explicitly discussing important issues that had been neglected by previous texts. For instance, he covered leadership, dissected training, and thoroughly highlighted the zeitgeist into which industrial psychology had emerged, including social and economic issues, which led in part to the concern with efficiency. Nevertheless, Viteles makes explicit in the text that he considered industrial psychology to have an equal responsibility toward the well-being and betterment of workers as it does toward efficiency. This outlook is reinforced by Viteles's later interest in humanistic psychological principles and their potential industrial applications.

Viteles followed this contribution with his 1953 *Motivation and Morale*, which talked about developments in motivation research and added the organizational side to I-O psychology.

World War I

World War I and its aftermath changed the world. In fact, it would be fair to say, the war ushered out the premodern world and produced the modern one. It was not the first modern war (the American Civil War holds that claim), nor was it entirely removed from the nineteenth century. World War I was a carnage on a scale never seen before – a vision of total war, whereby the populations of nations were targets as much soldiers in the field, where the war could be won or lost as much in the factory, farm, or home, as it could on the battlefield due to the requirements of modern warfare. The demands of creating modern armies almost from scratch, including training and development, astounded even the most astute observers. When Lord Kitchener stated that the war would last 3 years and require huge new armies, people felt he was crazy. Only after several years did people realize how wise he was, but only after a generation of men were killed. Some scholars have noted that if both the Central Powers and the Allies recognized the loss of life and treasure, they probably would not have fought in the first place.

According to David Kennedy (1980, vii), the War was "crucial for an understanding of modern American history." Many aspects of the New Deal, the war effort of World War II, and the birth of popular culture have its genesis during World War I. The war also provided America with an opportunity to claim world power, but America "had neither the skills, nor the wisdom, nor the compulsion of interest, to play that role as productively as Great Britain had played her part in the nineteenth century" (Kennedy 1980, p. 346). For academics, the war, as do all wars, provided ample opportunities and fertile testing grounds for social scientists (Kennedy 1980; Stagner 1981). John Dewey and the New Republic crowed that the war "provided an opportunity pregnant with 'social possibilities'" (Kennedy 1980, pp. 49–50). But the

reverse was also true; to academics like Munsterberg, the historian Charles Beard, and the economist Scott Nearing, who produced "doubt-breeding complexities" (Kennedy 1980, p. 58), the war meant the end of their careers.

The demands of this war provided the field of psychology, just like scientific management, with many opportunities to prove its worth (Stagner 1981; Van De Water 1997). The war placed many demands that psychology could meet. One of those demands was for the need to train and develop soldiers, sailors, pilots, and workers. Other demands included handling soldiers, problems with shell shock, propaganda, trying to sell the war, and the need for sacrifice by soldiers. Many psychologists, like Walter Dill Scott and other entrepreneurial orientated scholars, jumped into the fray with great enthusiasm (Van De Water 1997). One of the principle outcomes of the war was that it provided social scientists with a real-life laboratory to test out various principles and theories. One of the reasons why the United States could be seen as an innovator on many of these issues was because it had 3 years to observe what worked and what did not in terms of building a military. In addition, American industry and universities had plenty of scholars ready to apply new ideas (Schaffer 1991).

The psychologists of other countries were not as readily deployed as American psychologists. For instance, in Great Britain, most of the psychologists (Myers, Rivers, McDougall, and Brown) worked in hospitals with shell-shocked patients, whose symptoms confounded neurologists (Shepard 2015). One of those psychologists was a young Elton Mayo (Traihair 1984). The irony was that Charles Spearman, the father of intelligence theory, spent most of his war guarding a depot in the north of England. According to Shepard, one of the reasons why psychologists were not deployed was that many of them had connections to Germany as students and felt tension between their allegiance to the Crown and their past. In Germany, Wundt and other academics signed a declaration refuting charges of barbarism. In addition, German psychologists provided aptitude tests to fliers, applied fatigue research to munitions workers, and educated the German population on diet restrictions. In France, most of the research was devoted to industrial work. Both Germany and France, despite their traditions, did not have any research as comprehensive as the United States in support of the war.

The United States noted that the British had lost a generation of its most skilled and talented during the first few years of the war. To put it bluntly, the British lost a generation of leaders in the mud of Flanders Fields (Kennedy 1980). The United States desired to avoid this outcome and so sought out ways to prevent its best and brightest from being cannon fodder. This elitist approach to society was par the course for many in the Progressive Era and should not surprise anyone (McGerr 2003). The theory that provided the answer to this problem was general mental ability. Charles Darwin's cousin Francis Galton noted that it was possible for offspring to pick up the traits of their parents (Boeree 2018). One of those traits, Galton believed, was mental ability – noting that (not surprising from a scion of a great science family) genius was hereditary. This idea was further advanced by Charles Spearman who proposed that a common factor, which he called g for general factor, was the driver of all activities regarding intelligence. Spearman based his ideas

on the correlation between various mental activities that tended to be similar (Boeree 2018). Spearman's notion of g remains one of the major concepts in intelligence testing. Despite its high levels of prediction, it remains very controversial as it implies that there is a natural elite (Boeree 2018). Yet scholars, such as Lewis Terman and Alfred Binet (fathers of the Stanford-Binet IQ test), developed a test that measured intelligence (Benjamin 2007).

Whether this intelligence test captured the elusive g factor is one of debate. The problem was that despite the years of research, psychologists had only a rudimentary understanding of intelligence and little understanding of emotional stability (Benjafield 2007). According to Mayrhauser (1989), the test captured the loose definition of intelligence of the test makers. One of the questions on the alpha test was "Who was the author of *The Raven*?" (Kevles 1968). These are the types of questions that a college educated person would know, but not necessarily someone with a fourth-grade education. Compounding problems, Robert M. Yerkes's motives were more scientific than practical (Mayrhauser 1989). Worse than that, Yerkes's system would have required recruits to be interviewed for 10 min each (Van De Water 1997). This would have meant that the US military would have spent more time testing in this country than overseas fighting the Kaiser.

What is not up for debate is that many American psychologists recognized psychology's role in the war. Wars provide social scientists with real-world opportunities to apply and test various theories. Wars also provide professions with opportunities to create higher degrees of legitimacy. The net result was that many people at the time believed that the tests worked, even if both the military and psychologists overstated the predictions (Samelson 1977). Despite its prewar promise, psychology did not have an endowed laboratory, it did not attract the most able of researchers, and professors had low salaries and few opportunities to publish (Benjamin 2007). The War changed this (Schaffer 1991).

Human Relations: Barnard and Follett

The human relations movement also made a substantial addition to the burgeoning human resources movement. The contribution of the Mayo group was discussed in the previous chapter. In this section, I will discuss the contributions that both Mary Parker Follett and Chester Barnard made. Much like psychology, human relations focus was on the individual in a collective – more specifically, what makes cooperation possible. Both Follett and Barnard were connected to Harvard University through their undergraduate experience (Wren and Bedeian 2018). Follett was a social worker and an independent scholar who made many notable contributions to both political science, social thought, and management (Tonn 2003). Her work focused on the concept of conflict resolution and the need to create situations that produce winners on both sides. Barnard, an executive, focused on what makes cooperation possible and the difficulty of maintaining cooperation within an organization. Barnard's ideas would produce many positive concepts in management (Mahoney 2002). Follett did not receive her due until recently, but she has since been

recognized for her role in producing better leadership outcomes that added a spiritual side to management (Phipps 2011). Both scholars are grouped together when discussed due to the similarity of their viewpoints, namely, individuals working together based on cooperation (Wren and Bedeian 2018). Their work illustrates two common viewpoints: people are revealed in their interactions with others, and bureaucracy alone cannot ensure agreement – fully illustrating the intellectual condition of the time period (Kloppenberg 1986).

Mary Parker Follett (1868–1933) was a Harvard-trained social worker, political philosopher, and management thinker who made numerous contributions to several fields (Tonn 2003). She has been called the "mother of scientific management," and some have called her the "mother of management" (Gibson et al. 2013). Even though Follett was initially ignored, she is now one of the important scholars of the field and a subject of books and articles (Schwarz 2015). As Wren and Bedeian (2018) have noted, although Follett did her work during the period of scientific management, she belonged mostly to the human relations movement. However, Follett's ideas about participation and creating a democratic society were very much germane to the Progressive Era, making her a contemporary of Taylor (Mattson 1998). In fact, many of her ideas, such as those on voluntary collectivism, would form parts of the liberal mood in 1918 (Kennedy 1980). One of the salient features to the progressive movement was to seek idealistic approaches to conflict resolution through community involvement and engagement (Mattson 1998). Although not the principle difference between the progressives and the later New Deal Liberals, progressives sought to change society through moral and social improvement, while the New Deal, being less idealistic, sought to use police power of the government to serve as a referee between business and labor (Hostadter 1956). This difference explained why many progressives had a difficult time supporting the New Deal (Graham 1967).

Follett was born to a wealthy but dysfunctional family. Her father was an alcoholic; her mother was sick and "incompetent, demanding, and alien to her needs" (Tonn 2003, p. 16). Follett mostly had to raise her brother due to the inability of her parents to do so. Academics became her method of escape. She encountered and impressed some of the best and brightest minds in both America and Great Britain when she was a student, including Albert Bushnell Hart, perhaps the greatest American historian of his generation (Gibson et al. 2013). She quickly validated the high opinion of her mentors. Her Radcliffe thesis on *the Speaker of the House* is, despite its publication over a century ago, the definitive statement of work on the subject (Wren and Bedeian 2018). However, the scope of her book was radically different than her later work in that it praised consolidation of power at the expense of the community (Mattson 1998). Although she was originally interested in becoming an academic, that route was largely closed due to her gender (Mattson 1998). Therefore, she became a social worker. Social work was one of the popular callings for people who were interested in promoting the welfare of the poor. Like many of her generation, including a great many women, such as Jane Addams, the way to promote social and moral improvement was through social work (Mattson 1998).

During her time as a social worker, Follett recognized the idea for community spaces as a means of producing cooperation and support. These experiences changed

her life – making her recognize the benefit that collective social centers could heal the community and promote welfare. "In these largely volunteer organizations, operating with little or no authority, she realized that there was a need to rethink previously held concepts of authority, organization, leadership, and conflict resolution" (Wren 2005, p. 302). The combination of these events made her think of issues from a democratic perspective, different than her previous work. What Follett came to recognize was that power and authority should not be based on class or position, but on knowledge and facts, which she called the "law of the situation." In addition, Follett recognized that individuals received their character through their interaction with others – a recognition of the idea of intersubjectivity – which is a different approach than rejection of the self for the benefit of the community (Wren and Bedeian 2018). Follett's work as an example of the via *media* philosophers, focusing on the interaction between group and individual (Verstegen and Rutherford 2000). Therefore, the solution to both work and social problems is integration – a new way of looking at issues that would promote a new sense of unity (Armstrong 2002).

Gibson and coauthors note the influence of the German Idealist School of Philosophy, especially Fichte, on Follett's work. They also note Follett's embrace of Hegelian thought – especially the thesis, antithesis, and synthesis – which formed the basis of circular response (Gibson et al. 2013). Gestalt psychology influenced her beliefs in that it examined the human mind and behavior as whole (Cherry 2011). Yet Follett maintained her connection to empiricism and pragmatism through her idea of "interpenetration" in that it occurred during social meetings, whereby ideas are discussed and processed that both preserved and transformed them into a new unity (Mattson 1998). This approach would also promote pluralism and unity at the same time due to its basis on both idealism and empiricism. Unlike idealists, Follett did not believe in universal standards like justice or freedoms – the ends were too complex to promote an idealist approach. Yet she was an idealist in that she believed in integration and discussion (Mattson 1998). Her work also mirrored the work of Oliver Sheldon (Damart and Adam-Ledunois 2017).

In terms of business ideas, Follett anticipated many current ideas. Firstly, Pireto and Phipps (2014, p. 271) view her as an early example of a social entrepreneur because of her belief that work should have a "greater meaning" and "should serve a greater purpose." Follett's ideas about emergent leadership and group processes have been well documented over the years (Gibson et al. 2013). Her recognition that people could receive social benefits from work anticipated some of the findings of the Hawthorne studies and Mayo's suggestions. Her ideas of multiple groups working together for a common goal were suggestive of the concepts related to the stakeholder view of the firm (Schilling 2000). McLarney and Shelley Rhyno (1999) view her works as adding to strategic management – similar to, but also different from, the works of Henry Mintzberg. Follett's ideas were not just ahead of their time; they were also timeless.

Yet there were many downsides to the work of Mary Parker Follett, most of which is papered over by her legion of admirers in management. The idea of using a group to develop unity does have several drawbacks. Firstly, Follett's idea of socialization did not allow the concept of apathy to reign (Mattson 1998). Applied to work, many

people just show up for pay – nothing more and seek their social fulfillment elsewhere. Secondly, people cannot always create unity; in fact, there are certain aspects where discord would always happen (Mattson 1998). At the end of the day, labor and management have a divide that cannot be totally bridged. Even Mayo, who was as much of an idealist as Follett, had the same skepticism of bureaucracy and recognized that unity could not always be achieved (Homans 1949). Finally, the biggest issue was that democratic participation and coercive voluntarism can lead to the destruction of dissent (Capozzola 2008). Follett's participation could be seen as forced by the mob or the elite. One of the reasons why Munsterberg was silenced was because citizens sought unity of participation. Follett wrote that the group could produce "the only rights" that a person would have. As Capozzola (2008) wrote, Follett talked a lot about groups but not about mobs.

Chester Barnard (1886–1961) attended Harvard University (but did not graduate due to his lack of a laboratory science) and concentrated in economics. Barnard was a Massachusetts farm boy who did well, a scholarship student who paid his way through Harvard by running a dance band and selling pianos. After college, Barnard got a job at the American Telephone and Telegraph Company, rising to President of the New Jersey Bell company in 1927. During the course of his lifetime, he held many positions of influence, including directing the relief system of New Jersey during the Depression, serving as President of the United Service Organizations, working with David E. Lilienthal regarding nuclear power, serving as President for the Rockefeller Foundation, and serving as an advisor to President Franklin Roosevelt. For his efforts, Barnard won the Presidential Merit Award (Wren and Bedeian 2018).

Yet his greatest contribution was as a management thinker. Barnard, befitting a self-made man, was also a self-made scholar. Running a company that is a monopoly should leave one with a lot of downtime. Barnard filled it by reading the works of Pareto, Follett, Lewin, Max Weber, and Alfred North Whitehead (Wren and Bedeian 2018). His level of erudition impressed Harvard's imperious Lawrence J. Henderson, a biochemist, nascent management scholar, and advisor to President Lowell. Henderson had a deep respect and admiration for Pareto – viewing him as an antidote to socialism (Homans 1984). So Henderson formed the famous Harvard Pareto circle – which included a who's who of social scientists and intellectuals, including Talcott Parsons, Crane Brinton, George Homans, and Bernard DeVoto (Keller 1984). Barnard made a deep impression on Henderson with his knowledge of Pareto and based on that was invited to give the Lowell lectures, a series of lectures given by the Lowell Institute, which included some of the top scholars at the time: Arthur M. Schlesinger Jr., Joseph Schumpeter, and Elton Mayo.

Although Barnard did not publish much, what he did publish had a remarkable and lasting impact. In fact, his major work, *The Functions of the Executive*, was based on his Lowell lectures. His book *The Functions of the Executive*, is poorly written, jargon loaded, according to Paul DiMaggio (1995); featured large sections that were quaint and vacuous; and carried a whiff of elitism (Dunphy and Hoopes 2002). Although these criticisms are true, Barnard's book is also insightful, powerful, original, and passionate about management. It is also ethical (Strother 1976). Its

passion has inspired scholars, students, and practitioners for 80 years, despite some calls that it is outdated. In short, it was the work of genius. Joseph Mahoney (2002, p. 160) sums it up best:

> I observe that Barnard's teachings uniquely inspire many students at all educational levels. Barnard's teachings breathe life into the discipline of management and infuse a feeling of renewed idealism in the typical undergraduate, a feeling of a renewed responsibility in the modern executive, and a sense of the importance of management in many current doctoral students.

The power of the book was that it would directly influence three distinct trends in the literature: the institutional school, the Carnegie school, and Human Relations (Mahoney 2002). It also influences the field of transaction cost economics, upper echelons, political approaches, and social exchange theory. It is little wonder why the book is considered to be the second most influential book published in management in the twentieth century. Andrews, Simon, Mahoney, Parrow, Mayo, Roethlisberger, Homans, Williamsons, Parsons, and Selznick have praised and/or were influenced by it (Singleton 2013). Its most direct influence was on Herbert Simon who used it to create a distinct viewpoint called the Barnard-Simon legacy (Mitchell and Scott 1988).

A whole book can be and has been written about Barnard's work (Wolf 1973, 1974; Scott 1992). For the purpose of this chapter, we will focus on one aspect. Much like Follett, Barnard was concerned with gaining cooperation from workers which, to him, was the point of the organization. Organizations are able to function because they are able to gain resources from its members. When an organization can no longer gain resources from its members, it will die. Barnard noted that, with the exception of the Catholic Church, all organizations die (Barnard 1938). The reason why they fail is that the effectiveness (goal attainment) and efficiency (cost reduction) are comprised due to a lack of cooperation (Barnard 1938). Barnard noted that the basis of the formal organization is cooperation, "formal organization is that kind of cooperation among men that is conscious, deliberate, purposeful," and that "successful cooperation in or by formal organizations is the abnormal, not the normal, condition." The reason why organizations failed at gaining cooperation was that too much attention was placed on government and religious organizations (Wren and Bedeian 2018).

Attention had been given to gaining cooperation from individual workers, but little attention was provided to gaining cooperation from groups of workers. Fayol had provided some template with his notions of purpose and esprit de corps, but his work had yet to be translated. Furthermore, while Fayol provided a language and vocabulary of management, Barnard would start developing a true science of management, providing an outline for the Carnegie School, especially the work of Herbert Simon. Barnard provided an understanding of what executives needed to do: establish and maintain a system of communication, secure essential services from other members, formulate organizational purposes and objectives, manage people, and make sure they do their jobs. One of the principal differences between Fayol and

Barnard was that Barnard's ideas supported his nature of cooperation and had more of a theoretical understanding. It was perhaps, for this reason, why Simon thought highly of Barnard, but little of Fayol.

Barnard sought to gain cooperation through various types of inducements. As Wren and Bedeian noted, Barnard understood that the "intensity and timing of willingness" to cooperate would wax and wane due to whether or not the worker was experiencing satisfaction or dissatisfaction. Therefore, various inducements, both material (financial) and immaterial (prestige, socialization), were needed to promote cooperation in the group. In words that would be similar to social exchange theorists, especially people using Homans's original theory, inducements were needed to offset the costs of being a member of the group (Homans 1958, 1961). In addition to the inducements, a common purpose is needed to unify the group, not the individual member's purpose, but something that could unite the group as a whole (Barnard 1938). This purpose should be supported through the use of incentives as well. Anticipating much of agency and expectancy theory, members needed to understand the mission of the organization, be able to achieve the organization goals, and have incentives to reduce individual desires.

Perhaps the most important part of Barnard's contribution has been the concept of the zone of indifference. The zone of indifference is important because it provides a limitation on the level of authority that managers possess over subordinates. It builds on ideas of Taylorism. One of the basic concepts behind Taylor's philosophy was the basic need for workers to accept management's role in determining pace and output. Barnard discussed under what conditions workers would be willing to accept management's prerogative. Much like later scholars who worked in transaction cost economics, such as Oliver Williamson and William Ouchi, Barnard understood that factors emerge within the organization that protect workers from management control and oversight (Mahoney 2002). There is a line from Barnard to Simon to Williamson and Ouchi regarding the difficult nature of managerial oversight. But Barnard also recognized something important – that the way to gain worker cooperation was to make them indifferent to managerial commands (Wren and Bedeian 2018). Once indifferent, the natural tendency for people to carry out orders will take them the rest of the way. This was an important observation.

One last important observation needs to be made about Barnard's work and, by extension, the work of the Human Relations scholars. There have been criticisms over the years, mentioned by various scholars, that the work of the human relations scholars has downplayed the role and importance of monetary reasons for production and by work (Locke 1982). Barnard has not escaped this criticism. James Hoopes (2002) has taken aim at Barnard by noting that Barnard let ideology get the better of him. Hoopes (2002, p. 1017) wrote about Barnard's respect and courtesy to resolve the riot, that this idea was an "undeniably important contribution to management knowledge," but that Barnard "underestimated older techniques" including power and money to resolve problems. These attitudes ignore what was one of the key insights gathered from the human relations movement, namely, the idea that monetary issues sometimes have little to do with monetary issues (Drucker 1946). At the heart, the problem is a lack of trust between both sides. Unions struck

during World War II – when their aims had been socialized by the government, when everyone was employed, and when wages and perks were high – simply because they did not trust management (Kennedy 1999). Scholars have also confirmed Barnard's arguments in that interpersonal skills are key when handling a difficult issue (Greenberg 1993).

Welfare Capitalism and the New Deal

The labor question had dominated American/British/Commonwealth thought over the period from 1880 to 1945. Unionized and coordinated labor meant strikes, destruction, and war between labor and capital. Robber barons, such as Henry Clay Frick, lived in fear of assassination by radical labor leaders. Frick's would-be assassin received 21 years, in a quick trial, but only served 14. This did little to solve concerns on the part of management. Even those leaders who were considered benevolent faced various strikes and issues (Brandes 1976). Turnover was high as was destruction of property (Tone 1997). The number of police businesses employed in Pennsylvania was more than the state police, by a factor of 20 to 1. Business built fortresses, armed police, built armored cars, and employed criminals to keep workers in line. Murder and violence were not uncommon at the workplace. Between 1880 and 1900, 23,000 strikes occurred, or a new strike every 3 days (Brandes 1976). These strikes tended to be short and brief – real working-class solidarity was something that would not come until the future.

Despite the increasing wealth of the country, many reformers, businessmen, and politicians were deeply concerned that the new technocratic structure would not weld with the US traditions of small government and liberalism. Despite this new technocratic, the United States still remained, during the Gilded Age, a series of isolated communities (Wiebe 1967). One of the legacies of the Civil War was a creation of a unified nation, but this would take time and energy (White 2017). As Robert Wiebe wrote (1967, pp. 42–43), "Americans in a basic sense no longer knew who or what they were. The setting had altered beyond their power to understand it, and within an alien context they had lost themselves." Labor remained too ethnically and ideologically divided to launch a socialist movement (Weinsetein 1967). Likewise, increasing immigration meant that workers would maintain old world rivalries that would limit opportunities for collective action. Yet the middle class, despite its doubts and anxieties, launched a series of reforms to promote rationalization of American life.

Businessmen were one of the leaders of this new reform movement (Wiebe 1988). One of their prime contributions to this was called welfare work or, as it is more commonly known, welfare capitalism. Welfare capitalism was a series of programs that businesses took to reform the workplace (Brandes 1976). Companies provided housing, sports and social opportunities, health and welfare benefits, cooking classes, newspapers/magazines, and language and education classes. Workers at the National Cash Register Company could play tennis, golf, or baseball in the company park. Welfare capitalism also witnessed wage incentive

plans, benefit programs, and offered stock ownership in the company and profit-sharing. US Steel had 19 pools in which workers could swim. The Hawthorne plant had its own pageant which did not end until the 1980s. The educational systems were vast. The Colorado Fuel and Iron Company provided teachers for its schools. Some companies offered high wages and sought to turn their workers into consumers. IBM, Kodak, and especially Ford were considered high points of ethical capitalism.

Scholars have remained divided as to what the business leaders' motivations were in offering welfare capitalism programs. Irving Bernstein, one of the first historians to cover the question, argued that managers did so to prevent a unionized workforce. For Bernstein, welfare capitalism was the velvet glove that hid the iron fist. Subsequent scholars attacked this assertion noting the benefits of the system. Stuart Brandes argued that managers offered these programs due to the fact that they were a better alternative to police forces and that managers' primary concern was profit. Andrea Tone argues that it was the basic paternalism of managers and capitalism who wanted to protect workers and their families – noting, based on the work of Theda Skocpol (1992), that much of the early welfare state was designed to protect mothers and children. Business revisionists, such as Allan Nevins and Ernest Hill, have argued that welfare capitalism provided real benefits to workers.

The real questions are as follows: Did welfare capitalism work? Why did it emerge? Why did it end? As to whether welfare capitalism worked, the answers remain unknown (Brandes 1976). The polling evidence suggest that workers were lukewarm about welfare capitalism, preferring that they be paid a bonus or extra wages. Yet the labor violence that marked much of the industrial period all but ended in the 1920s (Meyer 1981; Kennedy 1999). This is suggested by the rise of conservative politics by both the Democrats and Republicans. The workers were relatively happy during this period. Scholars have been debating the economy of the 1920s since the era of Keynes, but there still seems to be a consensus, that at least for a short period, the economy of the 1920s was sound (Kennedy 1999). It is difficult to claim that workers were desperate – especially with the emergence of the telephone, radio, movies, and modern sports. Turnover, especially at Ford, declined (Meyer 1981).

Brandes notes that the examination of welfare capitalism has ignored what became known as the "organizational synthesis." Scholars, such as Robert Wiebe and Louis Galambos, have argued that the most salient factor of post-Civil War America was the emergence of modern bureaucratic organizations. Yet the emergence of large government and organized labor, unlike the modern corporation, was delayed due to several factors. Namely, the US government remained federalized – meaning that there were vast differences between states on questions related to welfare and labor. Not until the New Deal, and especially World War II, did questions of labor and welfare become federalized. Labor had a difficult time uniting on any particular issue. According to Lizabeth Cohen (1990, p. 6), "isolated in local neighborhoods and fragmented by ethnicity and race workers proved incapable of mounting the unified action necessary for success." This meant that Italian workers would hold their Polish and Hungarian counterparts with a sense of deep skepticism

and hostility; and vice versa. In addition, Samuel Gompers sought to only unionize skilled labor, rather than unskilled labor. Finally, radical reformers, such as Bill Heyward, head of the International Workers of the World, were probably too radical for most workers who dreamed about earning wealth and remained wedded to conservative social views. As Cohen wrote (1990, p. 43), a "successful...strike in the future would require a work force more capable of coordinating on a national level and more unified ethnically and racially."

Therefore, welfare capitalism was the best solution, perhaps the only solution, which could meet the varying demands placed on society. It was a compromise, one that reflected American concerns about both labor and consolidation of power and one that reflected both a concern for legitimate worker issues and maintained the respect for businessmen and private enterprise. It also reflected general concerns over paternalism that impacted American leaders during the time period – whether it was reflected in "Americanizing" immigrants, protecting widows with legitimate children, or searching for ways to improve morals in society. The system also had the benefit in that it allowed workers to have a limited amount of empowerment that enabled them to gain limited positive outcomes (Meyer 1981).

That is the real irony of welfare capitalism. It did succeed in socializing workers and Americanizing them. It is also succeeding in convincing workers that they had the right to certain outcomes such as bonus work, overtime, and social benefits. Workers were willing to abide by the structure as long as they were paid (Meyer 1981). When the Depression hit, welfare capitalism ended, and workers unionized on an enormous scale. Welfare capitalism also produced Americanization that allowed for workers to unionize and take collective action. Its own successes fueled its eventual demise. As Cohen (1990, p. 211) wrote, "ethnic provincialism was breaking down at the workplace, as it was in the real world." These attitudes would be aided by the rise of the radio and consumerism (especially in the 1930s), the Catholic Church, and the emergence of Prohibition, which greatly offended ethnic America. Rather than being seen as an enlightened company, workers viewed Hawthorne with a hostile eye.

Yet welfare capitalism did not die. The politics of the New Era (1920s) still remained a template for business and worker relationships. In many ways, the New Deal solidified these relationships into collective bargaining, rather than cooperation like Mary Parker Follett and Elton Mayo would have preferred. Yet workers still looked to their companies, rather than the government, as a source of welfare. The American experience during World War II furthered these relationships. Due to war-imposed price controls, American companies had to institute healthcare plans to gain workers to deal with labor shortages. This was unlike the model in Western Europe. Great Britain, the country America is usually compared to, saw the emergence of the welfare state that included a national healthcare system. The American attempt to create a similar model went down to ignominious defeat. Today, US corporations offer healthcare, social opportunities, education (especially in terms of healthcare), and stock options. Welfare capitalism did not die – it merely was transformed.

Conclusion

Arthur Bedeian argued for the study of history to improve management's present and future. He argued that professional maturity is a gift. Despite the strength of his arguments, and his high position in management, scholars have not heard his message. Management scholars should be attuned to his message. As we can see from this chapter, the early days of human resource management still continue to play a deep role. Some scholars, taking what is called the historic turn of the firm, have argued that management is preoccupied with the period of 1880–1940 (Cummings et al. 2017). These same scholars, despite the aptness of their observation, do not pursue the question as to why so much attention is paid to this time period. When they do, they argue that scholars have linked management's roots to Taylorism, ignoring uncomfortable truths, such as the role of management in slavery. However, as we can see, there are two reasons why management starts during this period. One was the emergence of psychology, based on the transformation of knowledge that inspired the progressive and social democratic movement. While management was embraced by business as a solution, it should not lessen its progressive nature. Management matched with other elements of progressivism in that it sought protection of private property and basic protection of the weak. Both management and progressivism had paternalism and democracy at its roots. The second reason is that we continue to talk about these issues in modern business. As was noted before, the Gilbreths' ideas formed the basis of Toyota's work culture; Scott's ideas of respect of the relationship between management to worker formed the basis of leader member exchange; and Barnard's notions of honesty and respect formed the basis of justice. The early iteration of human resource management still provides the basis for today's practice. In conclusion, management was a modernist attempt to promote economic and social well-being that emerged at the same time as did other social sciences.

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