

A. P. Sloan Jr. and leadership

~ Ph. D. Professor **Sorin-George Toma** (*Faculty of Administration and Business, University of Bucharest, Romania*)

E-mail: tomagsorin62@yahoo.com

~ Ph. D. Associate Professor **Andreea Saseanu** (*Faculty of Commerce, Academy of Economic Studies Bucharest, Romania*)

E-mail: saseanu@yahoo.com

~ Ph. D. Professor **Paul Marinescu** (*Faculty of Administration and Business, University of Bucharest, Romania*)

E-mail: paulmarinescu1@gmail.com

Abstract: *Organizing the manufacturing processes constituted probably the most difficult challenge in the American automotive industry in the 1920s. A. P. Sloan Jr. was one of the greatest captains of industry and shaped General Motors Corporation into the largest automotive manufacturer of the world. His creative approach on how to mix a degree of decentralized responsibility with centralized control remains a useful example for every corporate leader. The aim of our paper is to emphasize the contribution of Sloan Jr. to the development of leadership. The methodological approach is literature review.*

Keywords: A. P. Sloan Jr., leadership, General Motors Corporation, organization

JEL Classification: M1, L23, L62

1. Introduction

As one of the most important figure in modern business history (Farber, 2002), A. P. Sloan Jr. has greatly influenced management thought, theory and practice (Houghton, 2013). General Motors Corporation (GMC) "pioneered the multidivisional decentralized management structure that would come to dominate big business" (Link, 2013, p. 1) under his leadership. Sloan Jr. was one of the greatest captains of industry and shaped the American corporation into the largest automotive manufacturer of the world. In fact, after the end of World War I, he and H. Ford moved "world manufacture from centuries of craft production- led by European firms- into the age of mass production" (Womack, Jones and Roos, 1991, p. 11).

The aim of our paper is to emphasize the contribution of Sloan Jr. to the development of leadership. The methodological approach is literature review.

The reminder of our paper is structured as follows. The next section briefly presents the biography of Sloan Jr. Then, the relationship between Sloan Jr. and leadership is analysed. The paper ends with conclusions.

2. A. P. Sloan Jr.: a short biography

Alfred Pritchard Sloan Jr. was born in New Haven, Connecticut, May 23, 1875. His parents were Alfred Pritchard Sloan Sr., a machinist by training (later, he became a partner in a small company importing tea and coffee), and Katherine Mead Sloan. As the first of the five children of Alfred and Katherine, Sloan Jr. proved to be a hard-working student both in the public schools and at Brooklyn Polytechnic Institute where he completed the college-preparatory course.

In 1895, he graduated from the Massachusetts Institute of Technology and obtained a degree in electrical engineering in three years as the youngest member of his class. He married I. Jackson in 1898.

In his twenty, Sloan Jr. started his career as a draftsman with Hyatt Roller Bearing Company of Newark, New Jersey, a tiny enterprise with 25 employees. The company was founded by J. W. Hyatt in 1892 and produced roller- and ball-bearings. Sloan Jr. "quietly observed and studied the company's mismanagement but also saw a broader market for its product, if the operation could get its act together" (Pelfrey, 2006, pp. 43-44). At the end of the 19th century, he moved to Hygienic Refrigerator, a company that tried to produce and market an electric refrigerator. However, Sloan Jr. was convinced that Hyatt's antifriction bearing had a bright future in the automotive industry if it could be properly manufactured and marketed. That is why he came back to Hyatt Roller Bearing Company in spite of the fact that its businesses did not flourish in that period.

At the age of 24, Sloan Jr. became president of Hyatt Roller Bearing Company. He assumed the title of general manager and, in team with a bookkeeper, P. Steenstrup, he put the company on a profit-making basis. Sloan Jr. reorganized the plant, Steenstrup handled sales and the company turned a profit of 12,000 \$ after the first six months.

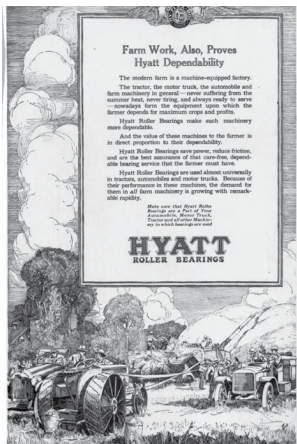
Under his leadership, the company established itself as a key bearing supplier (Fig. 1) for several American automotive customers, such as Oldsmobile or Cadillac, and grew to be one of the most profitable bearing manufacturers (Bowman, 2013). As the young American automobile market expanded, the profits of Hyatt Roller Bearing Company continued to grow and got up to nearly 60,000 \$ after five years of activity.

In 1916, the company merged with other company into United Motors Company, of which Sloan Jr. became president. After two years, the company was acquired by GMC.

In the 1920s, businesses gained unprecedented scale within the American economy and shareholders called for greater management accountability. Sloan Jr. wrote a report entitled the "Organization Study", in which he presented his view on the reorganization of GMC. He stated that the object of his study was "to suggest an organization for the General Motors Corporation which will definitely place the line of authority throughout its extensive operations as well as to co-ordinate each branch of its service" (Sloan, 1992, p. 52). In order to respond the inventory crisis of 1920s, he reorganized the corporation by implementing the so-called "multidivisional structure" (Fig. 2).

Sloan Jr. was elected president of GMC in 1923, succeeding P. S. du Pont. He ruled the corporation as president and then chairman between 1923 and 1956. After resigning from the chairmanship, Sloan Jr. was named Honorary Chairman of the Board, a title he retained until his death on February 17, 1966.

Fig. 1. Hyatt Roller Bearing advertisement in the 1920s



Source: <http://history.gmheritagecenter.com/wiki/uploads/4/44/B4220-0354.jpg>

3. A. P. Sloan Jr. and leadership at General Motors Corporation

Organizing the manufacturing processes constituted probably the most difficult challenge in the American automotive industry in the 1920s. Sloan Jr. solved the problem: "do it all in your company, but set up decentralized parts-making divisions as independent profits centers...to make specific categories of parts for the whole company" (Womack, Jones and Roos, 1991, p. 138). In his "Organization Study" Sloan Jr. established some of the key principles of the future organization of GMC as follows (Scheid, 1987):

- The divisions have to be autonomous.
- Some functions of the corporation have to be centralized.
- The corporate management has primarily to deal with the problems related to its general policy.
- The organizational chart has to provide the fact that each division should be represented within other divisions.

That is why "the divisionalization of General Motors was an organizational innovation of exceptional value" because "it allowed the company to capture for the whole course of his or her car-buying life" (Tedlow, 2001, p. 171). By understanding that the customers in a maturing market, as the American already was, desired more variety, GMC began to provide "a car for every purse and purpose" that finally led to gain the market leadership. Starting from the fact that GMC had no clear-cut concept of the business, Sloan Jr. decided that the its brands (Chevrolet, Oakland, Olds, Scripps-Booth, Sheridan, Buick, Cadillac) should address to the following six-levels price structure (Sloan, 1990): \$450-\$600, \$600-\$900, \$900-\$1200,

\$1200-\$1700, \$1700-\$2500, \$2500-\$3500. At the end of 1924, GMC under the leadership of Sloan Jr., as president, comprised:

- ▶ Passenger and Commercial Car Group: Buick Motor Division, Cadillac Motor Car Division, Chevrolet Manufacturing Companies, General Motors Truck Division, Northway Motor & Manufacturing Division, Oakland Motor Car Division, Olds Motor Works Division etc.
- ▶ Accessory and Parts Group: Armstrong Spring Division, Brown-Lipe-Chapin Division, Dayton Engineering Laboratories Company, Hyatt Bearings Division etc.
- ▶ Export and Overseas Group: General Motors Export Company, General Motors Limited, General Motors International A/S, Overseas Motor Service Corporation etc.
- ▶ Affiliated and Miscellaneous Group: Fisher Body Corporation, General Motors Acceptance Corporation, General Exchange Corporation etc.
- ▶ Sales Companies: Buick Motor Company, Cadillac Motor Car Company, Chevrolet Sales Companies, Olds Motor Works etc.

Sloan Jr. was not only "a man of daring, imagination, and vision", but also "a consummate believer in reality" (Tedlow, 1988, p. 5). In essence, the fundamental elements of his revolutionary system were the following (Freeman, 2005, p. 6):

- "Facts and data re the main and only determinants of decision making.
- The company should encourage dissent and differences of opinion.

- Organize via committees a decentralized system with centralized power and control.
- Staff with the most competent people without thought to friendship.
- The president or CEO acts as the absolute ruler though consensus."

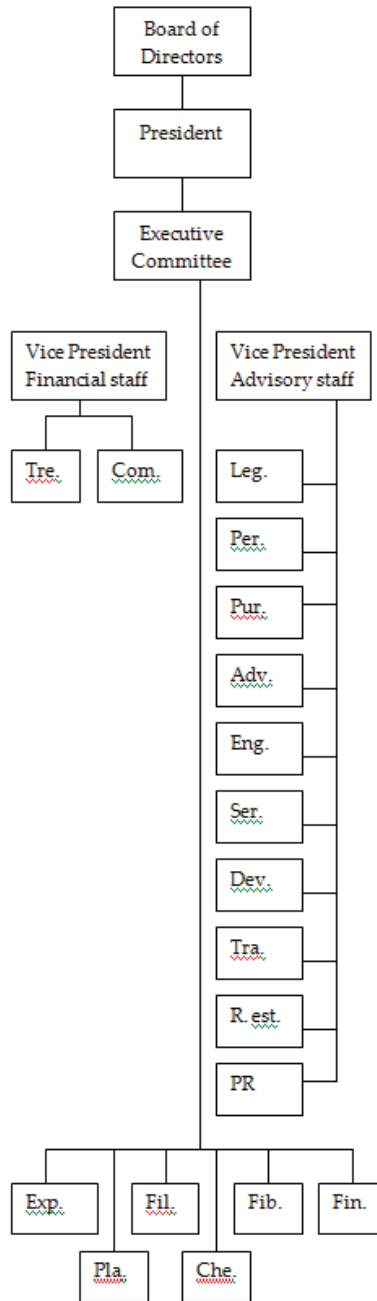
From the moment Sloan Jr. assumed the presidency of GMC, he became an effective leader of corporate America.

4. Conclusions

Sloan's leadership at GMC stands as one of the most representative success stories in the American business history. His creative approach on how to mix a degree of decentralized responsibility with centralized control remains a useful example for every corporate leader.

Our paper tries to suggest that the leadership genius of Sloan Jr. highly influenced the evolution and performance of GMC. Further studies might be carried out in order to expand the debate on Sloan's leadership achievement at GMC.

Fig. 2. The multidivisional structure in manufacturing



Legend: Tre.= Treasurer, Com.= Comptroller,
 Leg.= Legal, Per.= Personnel, Pur.= Purchasing,
 Adv.= Advertising, Eng.= Engineering, Ser.= Services, Dev.= Development, Tra.= Traffic, R. est.= Real estate, PR=
 Public relations, Exp.= Explosives, Fil.= Films, Fib.= Fibers, Fin.= Finishes, Pla.= Plastics, Che.= Chemicals
 Source: Chandler, 1977, p. 458

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