DANIEL WILLARD AND PROGRESSIVE MANAGEMENT
ON THE BALTIMORE & OHIO RAILROAD
HISTORICAL PERSPECTIVES ON BUSINESS ENTERPRISE SERIES

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Daniel Willard and Progressive Management on the Baltimore & Ohio Railroad

David M. Vrooman

Ohio State University Press
COLUMBUS
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During the preparation of this study, I have had to endure a certain amount of
good-natured ribbing from some of my friends and colleagues about my
spending hundreds upon hundreds of hours writing a “choo-choo book,”
likely to be read only by a handful of people with interests as bizarre as my
own. Although I suppose that there is an outside possibility that they are right,
I trust that they are not. If the nature of the story that I am trying to tell is fully
understood, its appeal should be very broad. This is a book about many things:
about leadership, about management programs, about corporate culture, and,
yes, about railroading during the later years of its Golden Age. I believe that it
has something to offer to people of many different backgrounds and interests.

Certainly I anticipate that academicians in the various management-
related disciplines will find something of value here. Equally I hope that this
book will be read and appreciated by academic historians. Daniel Willard’s
B&O is deserving of special historical status for a number of reasons, notably
its active interest in welfare work, its unparalleled (in the United States) com-
mmitment to union-management cooperation, and the broad similarity of its
managerial approach to that which two generations later gained great attention
as the “Japanese management style.” Even so, the company has received only
the slightest attention in the academic literature; this work may fill a signifi-
cant gap. I would be further pleased if this book were read and enjoyed by
amateur historians, especially those with a particular interest in railroads. De-
spite the intentional dearth of steam locomotive photographs, I believe that
they will find it interesting. It presents a side of railroading as a business that
conventional railroad histories tend to pass over quickly or ignore altogether.

It is my deepest hope, though, that this study will be read, and its lessons
then applied, by present or future practicing managers. Those are the people for whom Willard’s B&O has the greatest significance—as an example of how it is done right. Daniel Willard was the embodiment of the principle that managerial effectiveness is, in its origin, a function not so much of technique as of character. There is no more important point for the manager to understand.

I would not be in a position to make that point, or any other point associated with this study, were it not for the help that I have received in completing my research and working it into publishable form. I must offer my profuse thanks to those who gave me that help. Foremost among them is Austin Kerr, whose guidance and encouragement led me beyond my initial preference for simply telling the story without much attention to context or interpretation. I received further valuable suggestions for improving my manuscript from Mansel Blackford and from their outside reviewer, and I would not have received any of their direction had it not been for Ohio State University Press editor Alex Holzman’s interest in my project. Great help in tracking down and copying both archival and secondary sources of information was forthcoming from Martha Hodges of the Labor-Management Documentation Center at Cornell, Katherine Vogel of the George Meany Memorial Archives, James Quigle of the Pattee Library at Penn State, the staffs of the Pratt Library in Baltimore and the Manuscript Division of the Library of Congress, and Don Gordon of the Thomas Library here at Wittenberg. Uniquely insightful and personally most gratifying to me were the recollections and documents supplied by a cadre of retired members of the B&O family, especially Stanley Gearhart, John Bliss, Mildred Drechsler, the late William Howard, Jervis Langdon, Paul Mobus, and Albert Gibson. I thank Herbert Harwood, formerly of Chessie System and the B&O Museum, for leading me to these people. Thanks are due also to Ann Calhoun and John Hankey of the B&O Museum, and to Joseph Beckman, D. R. Shawley, and William Wick of CSX, all of whom helped as best they could in the absence of a real corporate archives.

I am grateful to the Procter & Gamble Foundation, to the Wittenberg Faculty Research Fund, and to our Department of Business Administration for covering most of the expenses of my research. I thank Norma Kettler for her splendidly accurate and timely typing of my manuscript, and Hansi Minnig for her excellent maps. Finally, I thank my wife, Raelynn, and my sons, Geoffrey and Michael, for their good-natured tolerance of my inaccessibility and frequent grumpiness throughout this undertaking. I trust that it has all been worthwhile.
INTRODUCTION

The practice of management at the turn of this century does not qualify to be called pervasively and remarkably enlightened. Although some individual managers led and rewarded their employees capably and equitably, and many more tried to some extent to do so, the manager who carefully and consistently set a course that met the long-term needs of both workers and company was not common. Many a boss saw his job as being simply to coerce indifferent workers into some sort of productive effort by whatever means seemed immediately effective—usually a mix of cash and intimidation. The manager oriented in this direction tended to be rigidly authoritarian, remote, at times arbitrary and unfair, and in some instances truly exploitive. The key element in his relationship with his workers was power: “I have it, and you don’t.”

However widespread this inclination, it was not really defensible in moral terms. Reactions against it grew in the early years of the century: “welfare work” against its dehumanizing qualities, “scientific management” against its arbitrariness and inefficiency. These alternate approaches, and the other more specific programs or actions to which they led, may be loosely labeled “progressive.” Although not directly tied to the Progressive wing of the Republican party, progressive management did share with Progressive politics a concern with the human and economic costs associated with the unenlightened exercise of corporate power. It was very much concerned with doing the right thing, not the conveniently self-serving thing.

This book is about a major American corporation that, under the leadership of one man, attempted to align its management practices with progressive ideals: to treat its employees as valued individuals whose initiative and intelligence, if properly encouraged, might be enlisted voluntarily to increase the
company’s efficiency and to improve the quality of its services. It is an extended case study, focusing on the management programs and approaches that began with Daniel Willard’s appointment to the Baltimore & Ohio presidency in 1910 and continued in some form until the early 1960s, twenty years after his death. It is not intended to be a Willard biography, or a comprehensive history of the B&O during this period, or a full summary and analysis of the various programmatic elements of progressive management. Although it includes aspects of each, it is primarily intended to be a story, told in its context, with enough analysis to make clear the story’s meaning.

What is its meaning? It is the thesis of this study that the successful implementation of the management approach herein termed progressive is inextricably linked to the character of the leader. The programs that Willard introduced on the B&O, especially the union-management Cooperative Plan, were
successful: they returned benefits both to workers and to the company. Yet they did not really take hold across the American economy. Why not? It will be argued that the missing factor in companies that tried such programs and failed, or that rejected them altogether, was a leader like Daniel Willard. They were successful on the B&O because of Willard’s patience, sensitivity, and firm moral view of their basic rightness—as well as his thirty-one-year tenure, which allowed time for those qualities to be amply demonstrated.

To put it more broadly, under a leader like Willard, a program becomes more than a matter of mere tactics. It becomes an integral part of corporate culture—the company’s “set of shared, enduring beliefs,” or “the way we do things around here”—and its impact becomes widespread and lasting. Unless that happens, the best-conceived program in the world cannot work.

Understood at the simplest level, this book is about a particular management approach, and the management practices and programs that it entailed. That is the direct focus of most of the narrative. On a deeper level, though, it can be seen as an affirmation of the precept that management approaches are only the middle link of a chain, or the intermediate stage of a three-part process: from leader’s values and character to management approach to corporate culture. The leader is important, because he is the principal source of mission and direction, or he is not much of a leader. Corporate culture is important because it is the broad outcome, the pervasive force that really shapes employee behavior and corporate success. Management approach is most important not because it has any intrinsic direct short-term influence but because it links leader and culture.

This is hardly the first volume to note such a linkage. Corporate culture and the role of the leader in shaping it have been the object of fairly intense scholarly interest over the past decade. Still, this study may offer something modestly different to our knowledge of the matter. Most published corporate culture case studies tend to be classifiable as either “good leadership shaping good culture leading to great success” or “bad leadership shaping bad culture leading to dismal failure” stories. The case of Willard’s B&O is neither. Willard’s leadership created a “good culture,” but the company’s overall performance, although it did benefit, could not be considered overwhelmingly successful. Forces beyond his control were too formidable for great success; for both institutional and technological reasons, then as now, the railroad industry was slowly failing. The B&O was never extraordinarily profitable; during the Depression it had a close brush with bankruptcy. Nonetheless, Willard was clearly successful in improving his company’s relative position among eastern railroads. His case thus stands as an example of a phenomenon not widely noted: good leadership shaping good culture postponing decline or averting disaster in an environment of generally diminishing prospects.
Introduction

To provide a more specific introduction to the story, with reference to those key conceptual elements, what should be said about the character and values of the leader? First, Daniel Willard was a sincerely religious man, a childhood-fundamentalist-turned-mature-Unitarian for whom the Golden Rule was a governing principle, not just a nice sentiment. Second, he was an up-from-the-ranks railroader with a good memory, who could recall exactly what it was like to be in the position of those who worked for him. Third, he was by nature compassionate and perceptive, and by that nature and his background modest and open to the opinions of others. Fourth, he possessed extraordinary energy coupled with the desire to do good work: to learn all that he could, to do the best job that he could, to have his company do the best job that it could.

What specific management programs and practices did he adopt? First, he used both welfare work and scientific management. The former was the more fully developed and abiding. B&O employee outings, athletic activities, musical groups, safety committees, and the like, were pushed hard during the early years of Willard's presidency, and they continued to be vital throughout his tenure and beyond. His embrace of scientific management was more tentative and limited, but he never rejected its basic concern for efficiency. Second, there was the Cooperative Plan. The Baltimore & Ohio Railroad Cooperative Plan was the foremost union-management cooperative program of its day. In contradiction to prevailing industry wisdom, the plan recognized that the company and its organized labor actually had many mutual interests and that both could be better off if they worked together. Its local cooperative committee meetings were forerunners of "quality circles," reimported to the United States some fifty years later as an allegedly Japanese invention. Third, there was the Cooperative Traffic Program, an amalgam of welfare work, the Cooperative Plan, and general company boosterism that helped to pull the B&O through the Depression. None of these was Willard's original idea. All were products of his determination to keep his office door and his mind open to other people's ideas.

What was the subsequent nature of the B&O culture? Like all corporate cultures, it was not determined exclusively by its president; company history, geography, employee demographics, general characteristics of the railroad industry, and outside social values had their influence. However, to a remarkable degree, it was a reflection of Daniel Willard. B&O courtesy, helpfulness, and friendliness were unexcelled anywhere in the country. Employees understood that they were to value the customer, and each other, as themselves. B&O timekeeping was extraordinary. Employees understood that their company and its customers wanted punctuality; for a division's passenger train on-time performance to fall below 95 percent for a month was an embarrassment
to the whole division. B&O employee loyalty and camaraderie were exceptional. Employees knew that they were to think of themselves as a family—a family in which individual needs and personal justice were important, but where the driving force was the corporate need of the family to serve the larger community.

Among employees of the average late-twentieth-century American firm, such espoused company values might be viewed as so much management-serving sentimental hogwash. Among the rough, macho blue-collar railroaders of Willard’s time, such notions surely were just as suspect, at least initially. Among the B&O’s sixty thousand or so employees, no doubt some never did conform to the B&O culture. But a sufficiently preponderant majority did, to the extent that those values indeed constituted a culture, and not just a list of platitudes. A sense permeated the railroad that although it could not match the physical or financial resources of its competitors, the B&O was a better company, because it worked hard and well to live by its stated values. The New York Central was fancy, and the Pennsylvania was awesome, but the B&O was good. And its people were proud of that. Especially during the peak years of the late 1920s, the partisanship of the company’s most enthusiastic employees for their B&O—the “Best & Only”—rivalled that of collegiate football fans.

So what was the result of all of this, in terms of the specifics of corporate success? Overall it was nothing spectacular. The B&O had too many burdens to carry: a capital structure historically too heavy on debt, routes often more circuitous and mountain grades more difficult than those of its competitors, and the generally hostile environment faced by the entire railroad industry after the first decade of the century. Even so, the B&O did fairly well. During the first ten years of Willard’s presidency, the company generated an average return on common equity of 4.6 percent; during his second ten years, the figure was 6.3 percent. Over the remainder of his tenure (1930–1941), the figure was a mere 0.6 percent, but the Depression and the heavy interest charges tied to the company’s overleveraged balance sheet could be blamed for that. Basically, the railroad as a physical property continued to do reasonably well through those lean years, generating a respectable pre-interest operating income and increasing its share of the eastern railroad transportation market.

To summarize and to restate the central thesis, then, Willard’s principled leadership led to the successful implementation of a set of progressive management practices, which shaped a congenial and service-oriented corporate culture, which in turn led to that which in context must be considered corporate success. The B&O did better than it otherwise would have done. Moreover, it continued to do so long after Willard had passed from the scene. Traces of rah-rah B&O family spirit were to be found among some of its em-
ployees into the 1970s. The Pennsylvania and the New York Central had been merged, had passed through bankruptcy, and had suffered numerous line downgradings and abandonments by the end of that decade. The B&O, albeit bereft of its independence, was still solvent and with a few minor exceptions physically intact. That should not be surprising. Willard did his job very well.